

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

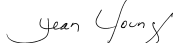
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

Livingston County, Michigan

**Financial Report
with Supplemental Information
December 31, 2006**

Livingston County, Michigan

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements	
Government-wide Financial Statements (Full Accrual Method of Accounting):	
Statement of Net Assets	11
Statement of Activities	12-13
Fund Financial Statements:	
Governmental Funds (Modified Accrual Basis of Accounting):	
Balance Sheet	14
Statement of Revenue, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Proprietary Funds (Full Accrual Basis of Accounting):	
Statement of Net Assets	17-18
Statement of Revenue, Expenses, and Changes in Net Assets	19-20
Statement of Cash Flows	21-22
Fiduciary Funds (Full Accrual Basis of Accounting):	
Statement of Net Assets	23
Statement of Changes in Net Assets	24
Component Units (Full Accrual Basis of Accounting):	
Statement of Net Assets	25
Statement of Activities	26-27
Notes to Financial Statements	28-56
Required Supplemental Information	57
Budgetary Comparison Schedule - General Fund	58-62
Budgetary Comparison Schedule - Ambulance Special Revenue Fund	63
Budgetary Comparison Schedule - Health Special Revenue Fund	64
Budgetary Comparison Schedule - 911 Service Special Revenue Fund	65

Livingston County, Michigan

Contents (Continued)

Other Supplemental Information	66
Description of Funds	67-75
Nonmajor Governmental Funds:	
Combining Balance Sheet	76-81
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	82-87
Internal Service Funds:	
Combining Statement of Net Assets (Deficit)	88
Combining Statement of Revenue, Expenses, and Changes in Net Assets (Deficit)	89
Combining Statement of Cash Flows	90
Fiduciary Funds - Combining Statement of Assets and Liabilities	91
Livingston Essential Transportation System:	
Schedule of Operating, Nonoperating, and Other Revenue Sources	92
Schedule of Operating Expenses	93
Schedule of Net Eligible Cost Computations of General Obligations	94
Schedule of Property and Equipment	95
Statistical Data - Public Transportation Mileage Data (Unaudited)	96
Statistical Information - Financial Trends (Unaudited)	97

Independent Auditor's Report

To the County Board of Commissioners
Livingston County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Livingston County, Michigan as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Livingston County Road Commission, whose assets and revenue totaled \$126,089,674 and \$24,607,548, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Livingston County Road Commission, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Livingston County, Michigan as of December 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of required supplemental information.

To the County Board of Commissioners
Livingston County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Livingston County, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, the report dated June 26, 2007 has been issued on our consideration of Livingston County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

June 26, 2007

Livingston County, Michigan

Management's Discussion and Analysis

Our discussion and analysis of Livingston County, Michigan's financial performance provides an overview of the financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with the County's financial statements.

Financial Highlights

As discussed in further detail in this management's discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2006:

- The County's primary source of General Fund revenue is property taxes which account for approximately 64.8 percent of total revenue. Livingston County has been one of the fastest-growing communities in the state of Michigan. This is evident by the percentage increase in property tax revenues for the past three years: 5.4 percent in 2004, 12.5 percent in 2005, and 9.7 percent in 2006. For the past 12 years, the County has enjoyed an average annual increase of 10 percent in its state equalized valuation and an average annual increase in its taxable valuation of 9 percent. Specific events, including state legislative actions, have occurred in the recent past that have caused some of these sizable increases. Unfortunately, this growth is unreliable and unsustainable. The following discussion outlines the public act amendments and their impact on Livingston County.
- State-shared revenue, another major General Fund revenue source, was temporarily suspended by Public Act 357 in September 2004, amending the Revenue Sharing Act. An amendment to the Property Tax Act (Public Act 356) provides a source of replacement funding for the temporary elimination of state-shared revenue. This legislation is a mandatory and permanent gradual shift, over a three-year period of time, from a December to a July tax levy.
- Fiscal year 2006 is the third and final year that a portion of the County's December 2004 property tax revenue is reported in the Revenue Sharing Reserve Fund from the December property tax revenues. The substantial new construction in the County and the concurrent timing of the tax levy shift have been major reasons for the increase in tax revenue. The County is calculating its property taxes on the most current taxable value. In the past, these calculations were based on valuations that were a year old. The County will draw against this, the Revenue Sharing Reserve Fund, in lieu of receiving its state-shared revenue payment from the State. It is projected that the Revenue Sharing Reserve Fund will be depleted in 2012, being the first year in which replacement monies from the reserve fund are less than the amount that would have otherwise been received in state revenue-sharing payments. The County is skeptical that the State will have the financial resources to reinstate state-shared revenue as promised in Public Act 357.
- During the fourth quarter of 2005, building activity dropped off precipitously, resulting in personnel layoffs. This trend continued during 2006 as the County experienced a collapse in the construction industry. New construction values decreased substantially: Residential decreased 50.0 percent and commercial decreased 77.0 percent for a combined decrease of 60.0 percent. Unfortunately, this caused additional personnel layoffs.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

- During the past few years, Livingston County has been extremely proactive in reducing the cost of services. Departments were frugal and complied with the purchasing policy to competitively bid supplies and services. Further, departments were requested to review current processes to be more efficient with service delivery, to increase the use of technology, and to hold vacancies open for longer periods of time. The Board of Commissioners has focused on reducing discretionary programs in order to shift limited resources to mandated programs. The culmination of these efforts is a \$2.6 million increase to the General Fund fund balance.
- In 2006, total net assets related to the County's governmental funds increased approximately \$13.0 million, as compared with 2005. This is misleading and unreliable because the increase is attributable to the Property Tax Act and State Shared Revenue Act amendments. The property tax revenues placed in the Revenue Sharing Reserve Fund were recorded as revenue in 2006. This trend will discontinue starting with fiscal year 2007, as the Revenue Sharing Reserve Fund is now fully funded. The accounting practice has been to recognize property taxes as revenue in the year for which they are levied; this practice was changed by the State for tax revenues mandated into the Revenue Sharing Reserve Fund. County-wide tax revenues increased 8.2 percent over the prior year because the July tax levy is applied against the December 2005 taxable value, the most current value. Now that the tax levy shift from December to July is complete, the tax revenue increase will slow to a more modest increase.
- For the past several years, Livingston County has been proactive by creating the appropriate legal documents and preparing actuarial reports to determine the cost for the eligible employees' retiree health care plans and funding the benefit. The Governmental Accounting Standards Board adopted Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, which the County is required to implement for the year ending December 31, 2008. This pronouncement requires an actuarial study be performed every other year to value the cost of the benefit and provide an annual recommended contribution. The intent is to annually recognize the cost of providing retiree health care over the working life of the employee versus paying the premiums after the employee retires. Livingston County has greatly reduced its unfunded liability by making annual payments over the past few years.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services. The activities are divided between governmental and business-type. Governmental activities include the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Internal Service Fund. Business-type activities include the Building and Safety Fund, Airport Fund, Delinquent Tax Revolving Fund, and Livingston Essential Transportation Service Fund.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The fiduciary fund statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

The County as a Whole

The following table shows a condensed format of the net assets (in thousands of dollars) for fiscal years ended December 31, 2006 and 2005:

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current assets	\$ 55,233	\$ 59,243	\$ 33,722	\$ 30,499	\$ 88,955	\$ 89,742
Noncurrent assets	58,672	58,350	29,986	22,978	88,658	81,328
Total assets	113,905	117,593	63,708	53,477	177,613	171,070
Liabilities						
Current liabilities	5,791	5,761	859	1,137	6,650	6,898
Long-term liabilities	20,240	36,792	12	24	20,252	36,816
Total liabilities	26,031	42,553	871	1,161	26,902	43,714
Net Assets						
Invested in capital assets -						
Net of related debt	44,232	42,270	29,963	22,943	74,195	65,213
Restricted	26,392	19,119	-	-	26,392	19,119
Unrestricted	17,250	13,651	32,874	29,373	50,124	43,024
Total net assets	<u>\$ 87,874</u>	<u>\$ 75,040</u>	<u>\$ 62,837</u>	<u>\$ 52,316</u>	<u>\$ 150,711</u>	<u>\$ 127,356</u>

The County's combined net assets for both governmental and business-type activities total \$127.4 million for fiscal year 2005 and \$150.7 million for fiscal year 2006, which is an increase of \$23.3 million (18.3 percent) from 2005 to 2006. As previously discussed, the increase is attributable to the newly created/funded Revenue Sharing Reserve Fund and tax levy shift from December to July, the acceptance of the Fillmore Park, the Livingston County Airport expansion project, and construction in progress for the Septic Receiving Facility. Net assets are further segregated between restricted and unrestricted net assets. The restricted net assets are those assets that are restricted for a specific purpose/use and invested in capital assets. Unrestricted net assets are those net assets that can be used to finance day-to-day operations.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the years ended December 31, 2006 and 2005 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue						
Program revenue:						
Charges for services	\$ 19,267	\$ 19,494	\$ 5,481	\$ 6,409	\$ 24,748	\$ 25,903
Operating grants and contributions	8,464	6,820	1,974	1,350	10,438	8,170
Capital grants and contributions	1,657	2,386	10,967	6,410	12,624	8,796
General revenue:						
Property taxes	38,148	35,249	-	-	38,148	35,249
Unrestricted investment earnings	2,047	1,148	960	703	3,007	1,851
Transfers and other revenue	2,431	2,245	(1,683)	(1,540)	748	705
Total revenue	72,014	67,342	17,698	13,332	89,712	80,674
Program Expenses						
General government	8,165	6,851	-	-	8,165	6,851
Public safety	32,537	30,696	-	-	32,537	30,696
Public works	1,143	2,418	-	-	1,143	2,418
Health and welfare	15,258	14,135	-	-	15,258	14,135
Community and economic development	1,360	1,439	-	-	1,360	1,439
Interest on long-term debt	701	646	-	-	701	646
Building and safety	-	-	2,245	3,182	2,245	3,182
Airport	-	-	2,498	2,101	2,498	2,101
Livingston Essential Transportation Services	-	-	2,419	2,052	2,419	2,052
Delinquent tax revolving funds	-	-	14	15	14	15
Total program expenses	59,164	56,185	7,176	7,350	66,340	63,535
Change in Net Assets	\$ 12,850	\$ 11,157	\$ 10,522	\$ 5,982	\$ 23,372	\$ 17,139

Governmental Activities

Governmental activities are those activities (such as public safety or health and human services) provided to the constituents of the County and supported by financing from property taxes and state-shared revenues.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

The cost of providing services for governmental activities was \$59.0 million for fiscal year 2006. This is a 5.0 percent increase over the cost of providing services in 2005. The County expenditure policy has remained stable from 2005 to 2006 for the categories of public safety, health and welfare, general government, public works, and community and economic development. The reasons for the extremely modest increase are expanded use of automation and competitive bid process for products/service, and more efficient/effective processes for service delivery.

The County's total governmental revenues increased \$4.7 million from 2005 to 2006. As previously stated, this is a direct result of the amendment to the Revenue Sharing Act and Property Tax Act. County-wide revenues from property taxes increased 8.2 percent. However, this is misleading and unsustainable because of the collapse in building industry and property tax levy shift. Charges for services decreased modestly by 1.0 percent from 2005 to 2006. This trend is caused by the sluggish real estate market and reduction in Register of Deeds revenues for transfer taxes from the sale of houses and deed recordings. The County continues to review its revenue policy to ensure the proper balance between the use of tax revenues and user fees to support the cost of providing services.

Business-type Activities

Business-type activities are those activities that are financed primarily by charges for services or user fees. The County's business-type activities consist of the airport, building and safety department, Livingston essential transportation, and tax delinquent revolving fund; these types of operations are most similar to private businesses. A comparative analysis between fiscal years 2005 and 2006 shows that our net assets increased \$10.5 million; the majority of this increase is related to capitalized construction for the Livingston County Airport expansion project.

The Funds

Our analysis of the County's major funds begins on page 14, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the County as a whole. This includes the General Fund, Ambulance Special Revenue Fund, Health Special Revenue Fund, 911 Service Special Revenue Fund, and Revenue Sharing Reserve Fund. The other nonmajor governmental funds are consolidated and reported under the column with that heading. The County board creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millages, 911 surcharge, and restricted revenues from grants or fees.

The **General Fund** pays for the majority of the County's governmental services. The most significant are the sheriff's department, including the jail, the court system, and all of the elected officials' offices. The General Fund incurred costs of \$43.9 million in 2006, including an operating transfer of \$3.4 million to subsidize operations in other funds. This is a decrease of 3.8 percent in providing services when compared to the amended budget for 2006. This is because of the County's proactive policy to reduce the cost of providing services.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

The **Ambulance Fund** provides emergency medical response and is funded by a special tax levy (approximately 34.0 percent of total revenues) and charges for services (approximately 60.0 percent of total revenues). The cost of providing this service for 2006 was \$5.2 million. Fund balance increased approximately \$1.1 million. These monies will be used in future years to enhance response time for the continuing increase in demand for services.

The **Health Fund** provides a variety of health-related services in environmental health and personal protection services. Funding is provided through federal/state grants, charges for services, and an appropriation from the General Fund. The cost of providing this service for 2006 was \$3.6 million.

The **911 Service Fund** provides county-wide dispatch services. Funding is provided through the telephone surcharge. Public Act 29 of 1994 sunsets December 31, 2007. A committee has been formed to review the current legislation and recommend a more equity funding source. The cost of providing this service for 2006 was approximately \$3.0 million.

The Revenue Sharing Reserve Fund, as previously discussed, is a mandated fund by the State to provide replacement funding for the temporary suspension of state-shared revenue. As of 2006, the fund is fully funded. The County annually draws an amount equal to its state shared-revenue until the fund is depleted

Budgetary Highlights

Over the course of the year, the County board amended the budget to take into account events during the year. The following provides specific details regarding the amendments:

- During the year, the General Fund net budget amendments resulted in a decrease of \$306,000, as follows:
 - Recognition of board actions regarding: 1) Recognition of position vacancy savings in various departments; 2) Recommended budget amendments/transfers between departments presented at the Sheriff's Calendarized Budget Meeting to maintain compliance with authorized budget; and, 3) General increases to the County's workers' compensation experience rating
 - Recognition of increases/decrease in grant revenues
 - Recognition of reduction in operating expenditures
- During the year, Special Revenue Funds and Enterprise Funds budgets were amended as follows:
 - Creation of the Revenue Sharing Reserve Fund and Jail Booking Fees Fund in compliance with State statute
 - Amendments for capital purchases authorized in the prior fiscal year; however, the product was received in the current year
 - Recognition of position vacancy savings and/or layoffs in various departments because of reduction in demand for services

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

At the end of 2006, the County had \$88.7 million invested in a broad array of capital assets, including buildings, land, emergency response equipment, vehicles, etc. These assets are necessary to carry out the day-to-day operations of the County. During the year, we progressed with the multi-million dollar airport expansion, recorded the bequest from the Fillmore Estate, and began construction of the Septage Receiving Station.

The County continues to sustain its excellent bond ratings with Moody's Aa2 rating and Standard & Poor's AA rating, thereby managing interest payments and reducing costs for infrastructure improvements. Additionally, the County is well within its legal debt limit of 10 percent of the state equalized valuation, utilizing less than 0.30 percent of capacity. The majority of outstanding debt is for our component units: the drainage districts, Department of Public Works, and Road Commission. The County has pledged its full faith and credit to maintain low costs. These assets are not reported in the County's financial statements because, by Michigan law, these projects are the property of the respective component unit (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates

Unfortunately as reported last year, Michigan's fiscal crisis continues: "This is one of the worst (economic) crises of our lifetime. We're facing not the worst winter but a winter that never ends," said George Fulton of the University of Michigan Institute of Labor and Industrial Relations. State revenues are at their lowest levels. A majority of these reductions were self-inflicted. Enacted state tax cuts have eroded the State's ability to generate revenue; the State's fiscal reserves are depleted. The recent economic report issued by the Southeast Michigan Council of Governments (SEMCOG) states: "Dramatic losses in the domestic auto industry will keep the Metro Detroit area mired in an economic crisis, fueling continued population declines and harsh changes in the job market for at least a decade."

During fiscal year 2006 and into 2008, the County anticipates a significant reduction in state and federal grants. To date, these revenue reductions have been masked because of our growth and increased property tax revenues. Our 2008 budget theme is "Working in the Dark, Succeeding through Uncertainty."

To ensure sustainability of our operations, the County is closely monitoring reserve balances, revenues, and expenditures. We are currently developing a five-year financial forecasting model for early detection of bad expenditure policies. During the first four months of 2007, the new construction value for both residential and commercial has decreased 40.0 percent compared to last year and 2006 had decreased 40.0 percent as compared to 2005. The only certainty is a lot of uncertainty; as the State tries to work through its challenges, there will be a waterfall effect on local units of government. Given the State's poor economic condition and future revenue projections, Livingston County must continue its history of sound financial performance and conservative budgeting practices.

Livingston County, Michigan

Management's Discussion and Analysis (Continued)

Contacting the Administration

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the county administrator's office at (517) 546-3669.

Livingston County, Michigan

Statement of Net Assets December 31, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 37,362,824	\$ 22,761,051	\$ 60,123,875	\$ 12,382,355
Receivables:				
Taxes	12,600,349	6,791,880	19,392,229	-
Accounts	1,198,805	17,465	1,216,270	-
Leases	-	-	-	93,400,525
Other	-	1,325,305	1,325,305	5,683,380
Internal balances	53,053	(53,053)	-	-
Due from other governmental units	1,294,965	2,618,660	3,913,625	2,736,232
Inventories	-	54,772	54,772	1,243,005
Prepaid costs and other assets	937,634	205,420	1,143,054	-
Net pension asset (Note 10)	1,785,184	-	1,785,184	-
Capital assets not being depreciated (Note 4)	8,236,801	10,946,813	19,183,614	27,440,847
Capital assets being depreciated (Note 4)	50,434,997	19,040,073	69,475,070	97,468,893
Total assets	113,904,612	63,708,386	177,612,998	240,355,237
Liabilities				
Accounts payable	1,660,111	76,035	1,736,146	1,253,915
Accrued and other liabilities	1,660,547	300,613	1,961,160	2,490,416
Deferred tax revenue	4,061,973	-	4,061,973	-
Due to other governmental units	221,077	470,785	691,862	2,111,435
Long-term obligations (Note 6):				
Due within one year	2,249,412	11,653	2,261,065	8,074,409
Due in more than one year	16,177,802	11,974	16,189,776	96,672,589
Total liabilities	26,030,922	871,060	26,901,982	110,602,764
Net Assets				
Invested in capital assets - Net of related debt	44,231,798	29,963,259	74,195,057	120,735,304
Restricted (Note 7)	26,391,608	-	26,391,608	-
Unrestricted	17,250,284	32,874,067	50,124,351	9,017,169
Total net assets	\$ 87,873,690	\$ 62,837,326	\$ 150,711,016	\$ 129,752,473

Livingston County, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 8,165,034	\$ 3,048,902	\$ 1,495,951	\$ -
Public safety	32,537,000	9,892,814	2,298,355	-
Public works	1,143,067	1,130,146	-	-
Health and welfare	15,257,629	4,928,014	4,279,524	-
Community and economic development	1,360,486	266,832	390,557	1,657,000
Interest on long-term debt	700,620	-	-	-
Total governmental activities	59,163,836	19,266,708	8,464,387	1,657,000
Business-type activities:				
Building and safety	2,244,914	1,996,871	-	-
Airport	2,498,117	811,915	-	10,858,547
Livingston Essential Transportation Service	2,419,109	395,762	1,973,712	108,296
Delinquent tax revolving funds	13,915	2,276,397	-	-
Total business-type activities	7,176,055	5,480,945	1,973,712	10,966,843
Total primary government	<u>\$ 66,339,891</u>	<u>\$ 24,747,653</u>	<u>\$ 10,438,099</u>	<u>\$ 12,623,843</u>
Component units:				
Drain Commission	\$ 4,940,933	\$ 4,622,157	\$ 975,365	\$ -
Department of Public Works	4,298,243	3,379,061	448,454	-
Road Commission	15,669,477	32,012	18,196,121	6,133,492
Livingston County Foundation	-	-	-	-
Total component units	<u>\$ 24,908,653</u>	<u>\$ 8,033,230</u>	<u>\$ 19,619,940</u>	<u>\$ 6,133,492</u>
General revenues:				
Property taxes				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in Net Assets				
Net Assets - Beginning of year, as restated (Note 12)				
Net Assets - End of year				

Statement of Activities
Year Ended December 31, 2006

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (3,620,181)	\$ -	\$ (3,620,181)	\$ -
(20,345,831)	-	(20,345,831)	-
(12,921)	-	(12,921)	-
(6,050,091)	-	(6,050,091)	-
953,903	-	953,903	-
(700,620)	-	(700,620)	-
(29,775,741)	-	(29,775,741)	-
-	(248,043)	(248,043)	-
-	9,172,345	9,172,345	-
-	58,661	58,661	-
-	2,262,482	2,262,482	-
-	11,245,445	11,245,445	-
(29,775,741)	11,245,445	(18,530,296)	-
-	-	-	656,589
-	-	-	(470,728)
-	-	-	8,692,148
-	-	-	-
-	-	-	8,878,009
38,147,327	-	38,147,327	-
2,047,373	959,567	3,006,940	793,893
748,153	-	748,153	82,504
1,683,300	(1,683,300)	-	-
42,626,153	(723,733)	41,902,420	876,397
12,850,412	10,521,712	23,372,124	9,754,406
75,023,278	52,315,614	127,338,892	119,998,067
\$ 87,873,690	\$ 62,837,326	\$ 150,711,016	\$ 129,752,473

Livingston County, Michigan

Governmental Funds Balance Sheet December 31, 2006

	General Fund	Ambulance Fund	Health Fund	911 Service Fund	Revenue Sharing Reserve Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and investments	\$ 13,145,835	\$ 2,855,810	\$ 788,171	\$ 2,211,670	\$ 9,372,254	\$ 5,825,821	\$ 34,199,561
Receivables:							
Taxes	2,599,442	2,163,176	-	-	7,756,741	-	12,519,359
Accounts	19,262	911,821	-	227,833	-	-	1,158,916
Prepaid costs and other assets	84,366	33,047	-	10,874	175,936	575,886	880,109
Due from other funds (Note 5)	181,768	-	-	-	-	-	181,768
Due from other governmental units	627,414	1,403	130,280	73,006	-	462,862	1,294,965
Advance to other fund (Note 5)	383,979	-	-	-	-	117,898	501,877
Total assets	<u>\$ 17,042,066</u>	<u>\$ 5,965,257</u>	<u>\$ 918,451</u>	<u>\$ 2,523,383</u>	<u>\$ 17,304,931</u>	<u>\$ 6,982,467</u>	<u>\$ 50,736,555</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 818,183	\$ 98,826	\$ 14,362	\$ 57,021	\$ -	\$ 377,976	\$ 1,366,368
Accrued and other liabilities	868,110	117,593	76,964	98,219	-	15,187	1,176,073
Due to other funds (Note 5)	1,468	-	110,000	-	-	60,000	171,468
Due to other governmental units	41,430	-	-	-	-	179,647	221,077
Advance from other fund (Note 5)	-	-	304,372	-	-	65,086	369,458
Deferred revenue	1,375,204	2,163,176	-	-	-	523,593	4,061,973
Total liabilities	3,104,395	2,379,595	505,698	155,240	-	1,221,489	7,366,417
Fund Balances							
Reserved (Note 8)	468,345	-	-	-	17,304,931	86,514	17,859,790
Unreserved, reported in:							
General Fund	13,469,326	-	-	-	-	-	13,469,326
Special Revenue Funds	-	3,585,662	412,753	2,368,143	-	3,314,304	9,680,862
Capital Projects Funds - Designated	-	-	-	-	-	2,360,160	2,360,160
Total fund balances	13,937,671	3,585,662	412,753	2,368,143	17,304,931	5,760,978	43,370,138
Total liabilities and fund balances	<u>\$ 17,042,066</u>	<u>\$ 5,965,257</u>	<u>\$ 918,451</u>	<u>\$ 2,523,383</u>	<u>\$ 17,304,931</u>	<u>\$ 6,982,467</u>	
Amounts reported for governmental activities in the statement of net assets are different because:							
Capital assets used in governmental activities are not financial resources and are not reported in the funds							57,861,503
Long-term liabilities are not due and payable in the current period and are not reported in the funds							(16,768,731)
Interest expense payable is not accrued in the governmental funds							(131,478)
Compensated absences are not included as a liability of the funds							(1,555,312)
Net pension asset is not included as an asset of the funds							1,785,184
Personal property taxes received in governmental activities are not financial resources and are not reported in the funds							80,990
Net self-insurance liabilities are not reported in the funds							(129,554)
Internal Service Funds are included as part of governmental activities							3,360,950
Net assets of governmental activities							<u>\$ 87,873,690</u>

Livingston County, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2006

	General Fund	Ambulance Fund	Health Fund	911 Service Fund	Revenue Sharing Reserve Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue							
Taxes	\$ 28,310,654	\$ 2,129,855	\$ -	\$ -	\$ 7,756,740	\$ 1,599	\$ 38,198,848
Licenses and permits	339,386	-	218,678	-	-	-	558,064
Federal sources	2,221,115	211,560	1,051,007	40,729	-	1,949,642	5,474,053
Contributions from local units	1,135,268	-	-	-	-	635,665	1,770,933
State sources	2,033,160	-	884,344	272,297	-	1,566,756	4,756,557
Charges for services	6,736,215	3,749,471	693,556	2,795,399	-	708,548	14,683,189
Fines and forfeitures	474,320	-	-	-	-	-	474,320
Interest and rent	1,217,691	154,442	-	110,044	367,622	218,023	2,067,822
Other	1,255,182	28,500	-	-	-	243,114	1,526,796
Total revenue	43,722,991	6,273,828	2,847,585	3,218,469	8,124,362	5,323,347	69,510,582
Expenditures							
Current:							
General government	5,415,662	-	-	-	-	-	5,415,662
Public safety:							
Court systems	11,103,835	-	-	-	-	-	11,103,835
Sheriff and jail	14,879,480	-	-	2,962,018	-	-	17,841,498
Other public safety	2,044,898	-	-	-	-	490,626	2,535,524
Economic development	4,445,649	-	-	-	-	310,002	4,755,651
Health and welfare	2,588,276	5,218,377	3,594,333	-	-	4,930,126	16,331,112
Capital outlay	-	-	-	-	-	160,539	160,539
Principal on debt service	-	-	-	-	-	1,640,000	1,640,000
Interest on debt service	-	-	-	-	-	811,555	811,555
Total expenditures	40,477,800	5,218,377	3,594,333	2,962,018	-	8,342,848	60,595,376
Excess of Revenue Over (Under)							
Expenditures	3,245,191	1,055,451	(746,748)	256,451	8,124,362	(3,019,501)	8,915,206
Other Financing Sources (Uses)							
Operating transfers in (Note 5)	2,705,697	-	726,604	-	-	4,366,172	7,798,473
Operating transfers out (Note 5)	(3,396,476)	-	-	-	(2,669,499)	(232,310)	(6,298,285)
Total other financing sources (uses)	(690,779)	-	726,604	-	(2,669,499)	4,133,862	1,500,188
Net Change in Fund Balances	2,554,412	1,055,451	(20,144)	256,451	5,454,863	1,114,361	10,415,394
Fund Balances - Beginning of year	11,383,259	2,530,211	432,897	2,111,692	11,850,068	4,646,617	32,954,744
Fund Balances - End of year	\$ 13,937,671	\$ 3,585,662	\$ 412,753	\$ 2,368,143	\$ 17,304,931	\$ 5,760,978	\$ 43,370,138

Livingston County, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2006

Net Change in Fund Balances - Total Governmental Funds \$ 10,415,394

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures;
in the statement of activities, these costs are allocated
over their estimated useful lives as depreciation 539,942

Repayment of bond principal and other long-term obligations is
an expenditure in the governmental funds, but not in the
statement of activities (where it reduces long-term debt) 1,903,227

Increase in accumulated employee sick and vacation pay
is recorded when earned in the statement of activities (617,506)

Decrease in accrued interest payable is recorded on the
statement of activities 109,718

Increase in net self-insurance liability is recorded
as an expense on the statement of activities (129,554)

Internal Service Funds are also included as governmental
activities 686,997

Decrease in delinquent personal property taxes is included
in the statement of activities (3,297)

Decrease in net pension asset is recorded in the statement of
activities (54,509)

Change in Net Assets of Governmental Activities \$ 12,850,412

Livingston County, Michigan

	Enterprise Funds		
	Major Fund - Building and Safety Fund	Major Fund - Airport Fund	Major Fund - Delinquent Tax Revolving Fund
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,332,076	\$ 319,478	\$ 20,188,949
Tax receivable	-	-	6,791,880
Accounts receivable	-	17,465	1,325,305
Due from other governmental units	-	2,145,874	68,039
Due from other funds (Note 5)	-	1,468	30,237
Inventories	11,452	28,511	-
Prepaid costs and other assets	9,827	26,875	157,173
Total current assets	2,353,355	2,539,671	28,561,583
Noncurrent assets:			
Advances to other funds (Note 5)	-	-	2,420,963
Capital assets (Note 4)	6,415	27,417,468	-
Total noncurrent assets	6,415	27,417,468	2,420,963
Total assets	2,359,770	29,957,139	30,982,546
Liabilities			
Current liabilities:			
Accounts payable	2,658	14,290	11,420
Accrued and other liabilities	94,718	138,893	-
Due to other funds (Note 5)	-	70,237	-
Due to other governmental units	-	470,083	702
Current portion of long-term debt (Note 6)	-	11,653	-
Total current liabilities	97,376	705,156	12,122
Noncurrent liabilities:			
Advances from other funds (Note 5)	-	2,435,484	-
Long-term debt - Net of current portion (Note 6)	-	11,974	-
Total noncurrent liabilities	-	2,447,458	-
Total liabilities	97,376	3,152,614	12,122
Net Assets			
Investment in capital assets - Net of related debt	6,415	27,393,841	-
Unrestricted	2,255,979	(589,316)	30,970,424
Total net assets	<u>\$ 2,262,394</u>	<u>\$ 26,804,525</u>	<u>\$ 30,970,424</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

Proprietary Funds
Statement of Net Assets
December 31, 2006

Nonmajor Fund -		
Livingston		
Essential		
Transportation Service	Total Enterprise Funds	Internal Service Funds
\$ (79,452)	\$ 22,761,051	\$ 3,000,962
-	6,791,880	23,254
-	1,342,770	-
404,747	2,618,660	-
-	31,705	60,000
14,809	54,772	-
11,545	205,420	74,160
351,649	33,806,258	3,158,376
-	2,420,963	-
2,563,003	29,986,886	810,295
2,563,003	32,407,849	810,295
2,914,652	66,214,107	3,968,671
47,667	76,035	293,741
67,002	300,613	164,314
-	70,237	31,768
-	470,785	-
-	11,653	-
114,669	929,323	489,823
-	2,435,484	117,898
-	11,974	-
-	2,447,458	117,898
114,669	3,376,781	607,721
2,563,003	29,963,259	810,295
236,980	32,874,067	2,550,655
\$ 2,799,983	\$ 62,837,326	\$ 3,360,950

Livingston County, Michigan

	Enterprise		
	Major Fund - Building and Safety Fund	Major Fund - Airport Fund	Major Fund - Delinquent Tax Revolving Fund
Operating Revenue			
Charges for services	\$ 1,996,871	\$ 811,915	\$ 643,137
Penalties and interest	-	-	1,583,032
Other revenue	-	-	50,228
Total operating revenue	1,996,871	811,915	2,276,397
Operating Expenses			
Personnel	1,825,414	238,940	-
Operating expenses	417,023	484,174	-
Depreciation expense	2,477	268,645	-
Other expenses	-	669,083	13,915
Loss (gain) on sale of fixed assets	-	837,275	-
Total operating expenses	2,244,914	2,498,117	13,915
Operating Income (Loss)	(248,043)	(1,686,202)	2,262,482
Nonoperating Revenue (Expense)			
Interest earnings	110,412	5,153	933,598
Federal and state operating subsidies	-	-	-
Interest expense	-	(89,596)	-
Total nonoperating revenue (expense)	110,412	(84,443)	933,598
Income (Loss) - Before transfers and contributions	(137,631)	(1,770,645)	3,196,080
Operating Transfers In (Note 5)	-	-	-
Operating Transfers Out (Note 5)	-	-	(1,683,300)
Net Income (Loss) - Before contributions	(137,631)	(1,770,645)	1,512,780
Capital Contributions	-	10,858,547	-
Change in Net Assets	(137,631)	9,087,902	1,512,780
Net Assets - January 1, 2006	2,400,025	17,716,623	29,457,644
Net Assets - December 31, 2006	<u>\$ 2,262,394</u>	<u>\$ 26,804,525</u>	<u>\$ 30,970,424</u>

Proprietary Funds
Statement of Revenue, Expenses, and Changes in Net Assets
Year Ended December 31, 2006

Funds		
Nonmajor Fund -		
Livingston		
Essential		
Transportation Service	Total Enterprise Funds	Internal Service Funds
\$ 322,094	\$ 3,774,017	\$ 12,957,254
-	1,583,032	-
<u>73,668</u>	<u>123,896</u>	<u>-</u>
395,762	5,480,945	12,957,254
1,309,103	3,373,457	8,595,415
548,670	1,449,867	3,420,828
208,819	479,941	491,357
352,517	1,035,515	-
<u>-</u>	<u>837,275</u>	<u>(54,231)</u>
<u>2,419,109</u>	<u>7,176,055</u>	<u>12,453,369</u>
(2,023,347)	(1,695,110)	503,885
-	1,049,163	-
1,973,712	1,973,712	-
<u>-</u>	<u>(89,596)</u>	<u>-</u>
<u>1,973,712</u>	<u>2,933,279</u>	<u>-</u>
(49,635)	1,238,169	503,885
-	-	183,112
<u>-</u>	<u>(1,683,300)</u>	<u>-</u>
(49,635)	(445,131)	686,997
<u>108,296</u>	<u>10,966,843</u>	<u>-</u>
58,661	10,521,712	686,997
<u>2,741,322</u>	<u>52,315,614</u>	<u>2,673,953</u>
<u><u>\$ 2,799,983</u></u>	<u><u>\$ 62,837,326</u></u>	<u><u>\$ 3,360,950</u></u>

Livingston County, Michigan

	Enterprise Funds		
	Major Fund - Building and Safety Fund	Major Fund - Airport Fund	Major Fund - Delinquent Tax Revolving Fund
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,998,528	\$ 808,017	\$ 1,220,695
Receipts from other funds	-	-	-
Payments to suppliers	(517,835)	(843,020)	(10,495)
Payments to employees	(1,789,337)	(163,092)	-
Internal activity - Receipts (payments) to other funds	-	507,959	(525,577)
Net cash provided by (used in) operating activities	(308,644)	309,864	684,623
Cash Flows from Capital and Related Financing Activities			
Capital contributions	-	-	-
Purchase of capital assets	-	(130,622)	-
Interest paid	-	(73,495)	-
Debt service	-	(11,130)	-
Net cash provided by (used in) capital and related financing activities	-	(215,247)	-
Cash Flows from Investing Activities - Interest received on investments	110,412	5,153	933,598
Cash Flows from Noncapital Financing Activities			
Federal and state operating subsidies	-	-	-
Transfers out	-	-	(1,683,300)
Transfers in	-	-	-
Net cash provided by (used in) noncapital financing activities	-	-	(1,683,300)
Net Increase (Decrease) in Cash and Cash Equivalents	(198,232)	99,770	(65,079)
Cash and Cash Equivalents - Beginning of year	2,530,308	219,708	20,254,028
Cash and Cash Equivalents - End of year	<u>\$ 2,332,076</u>	<u>\$ 319,478</u>	<u>\$ 20,188,949</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating income (loss)	\$ (248,043)	\$ (1,686,202)	\$ 2,262,482
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	2,477	268,645	-
Changes in assets and liabilities:			
Accounts receivable	-	(3,898)	(220,797)
Delinquent tax receivables	-	-	(951,888)
Due from other funds	-	29,835	(30,237)
Due from other governmental units	-	-	(17,825)
Inventory	757	-	-
Long-term advance receivable	-	-	(478,124)
Other assets	900	843,994	116,983
Accounts payable	(100,812)	(305,093)	3,420
Long-term advance payable	-	478,124	-
Due to other funds	-	-	-
Due to other governmental units	-	608,611	609
Accrued and other liabilities	36,077	75,848	-
Net cash provided by (used in) operating activities	<u>\$ (308,644)</u>	<u>\$ 309,864</u>	<u>\$ 684,623</u>

Noncash Financing Activities - During the year ended December 31, 2006, the State of Michigan contributed capital assets with a value of \$10,842,446 to the Airport. Additionally, the Airport disposed of assets amounting to \$2,932,967.

Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2006

Nonmajor Fund - Livingston Essential Transportation Service	Total Enterprise Funds	Internal Service Funds
\$ 392,373	\$ 4,419,613	\$ -
-	-	13,063,289
(956,420)	(2,327,770)	(3,486,318)
(1,309,103)	(3,261,532)	(8,552,636)
(229,834)	(247,452)	-
(2,102,984)	(1,417,141)	1,024,335
108,296	108,296	-
(84,643)	(215,265)	(273,250)
-	(73,495)	-
-	(11,130)	-
23,653	(191,594)	(273,250)
-	1,049,163	-
1,973,712	1,973,712	-
-	(1,683,300)	-
-	-	183,112
1,973,712	290,412	183,112
(105,619)	(269,160)	934,197
26,167	23,030,211	2,066,765
\$ (79,452)	\$ 22,761,051	\$ 3,000,962
\$ (2,023,347)	\$ (1,695,110)	\$ 503,885
208,819	479,941	491,357
-	(224,695)	(7,910)
-	(951,888)	-
(272,681)	(273,083)	(59,359)
-	(17,825)	-
(3,638)	(2,881)	-
-	(478,124)	-
249	962,126	(29,757)
(55,233)	(457,718)	(111,811)
-	478,124	117,898
-	-	31,127
42,847	652,067	-
-	111,925	88,905
\$ (2,102,984)	\$ (1,417,141)	\$ 1,024,335

Livingston County, Michigan

Fiduciary Funds Statement of Net Assets December 31, 2006

	Other Employee Benefit Trust Fund	Agency Funds
Assets		
Cash	\$ -	\$ 2,903,081
Mutual funds	5,134,235	-
Accrued interest receivable	-	10,422
Total assets	5,134,235	<u>\$ 2,913,503</u>
Liabilities		
Due to other governmental units	-	\$ 936,747
Other liabilities	-	1,976,756
Total liabilities	-	<u>\$ 2,913,503</u>
Net Assets - Held in trust for employee benefits	<u>\$ 5,134,235</u>	

Livingston County, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended December 31, 2006

	<u>Other Employee Benefit Trust Fund</u>
Additions	
Investment income:	
Interest and dividends	\$ 116,991
Net increase in fair value of investments	338,336
Less investment expenses	<u>(47,468)</u>
Net investment income	407,859
Contributions	<u>1,000,000</u>
Total additions	1,407,859
Net Assets Held in Trust for Employee Benefits	
Beginning of year	<u>3,726,376</u>
End of year	<u><u>\$ 5,134,235</u></u>

Livingston County, Michigan

Component Units Statement of Net Assets December 31, 2006

	Drain Commission	Department of Public Works	Road Commission	Livingston County Foundation	Total
Assets					
Cash and investments	\$ 2,993,560	\$ 7,196,508	\$ 2,192,191	\$ 96	\$ 12,382,355
Special assessments receivable	4,587,119	-	192,042	-	4,779,161
Leases receivable from local units	31,605,525	61,795,000	-	-	93,400,525
Due from other governmental units	15,526	-	2,720,706	-	2,736,232
Interest and other receivables	356,710	440,431	107,078	-	904,219
Inventories	-	-	1,243,005	-	1,243,005
Capital assets (Note 4)	<u>3,140,637</u>	<u>2,134,451</u>	<u>119,634,652</u>	<u>-</u>	<u>124,909,740</u>
Total assets	42,699,077	71,566,390	126,089,674	96	240,355,237
Liabilities					
Accounts payable	266,458	688,302	299,155	-	1,253,915
Retainages payable	71,007	923,146	10,029	-	1,004,182
Due to other governmental units	-	1,992,709	118,726	-	2,111,435
Other current liabilities	975,010	411,433	99,791	-	1,486,234
Long-term debt:					
Due within one year (Note 6)	3,324,632	3,370,000	1,379,777	-	8,074,409
Due in more than one year (Note 6)	<u>31,896,116</u>	<u>61,590,000</u>	<u>3,186,473</u>	<u>-</u>	<u>96,672,589</u>
Total liabilities	<u>36,533,223</u>	<u>68,975,590</u>	<u>5,093,951</u>	<u>-</u>	<u>110,602,764</u>
Net Assets					
Invested in capital assets - Net of related debt	3,140,637	2,134,451	115,460,216	-	120,735,304
Unrestricted	<u>3,025,217</u>	<u>456,349</u>	<u>5,535,507</u>	<u>96</u>	<u>9,017,169</u>
Total net assets	<u>\$ 6,165,854</u>	<u>\$ 2,590,800</u>	<u>\$ 120,995,723</u>	<u>\$ 96</u>	<u>\$ 129,752,473</u>

Livingston County, Michigan

		Program Revenues		
		Charges for	Operating Grants/	Capital Grants/
	Expenses	Services	Contributions	Contributions
Drain Commission -				
Public works	\$ 4,940,933	\$ 4,622,157	\$ 975,365	\$ -
Department of Public Works -				
Public works	4,298,243	3,379,061	448,454	-
Road Commission -				
Public works	15,669,477	32,012	18,196,121	6,133,492
Livingston County Foundation -				
Recreation	-	-	-	-
Total governmental activities	<u>\$ 24,908,653</u>	<u>\$ 8,033,230</u>	<u>\$ 19,619,940</u>	<u>\$ 6,133,492</u>

General revenues:

Gain on disposition of fixed assets

Interest

Change in Net Assets

Net Assets - Beginning of year, as restated (Note 12)

Net Assets - End of year

**Component Units
Statement of Activities
Year Ended December 31, 2006**

Net (Expense) Revenue and Changes in Net Assets				
Drain Commission	Department of Public Works	Road Commission	Livingston County Foundation	Total
\$ 656,589	\$ -	\$ -	\$ -	\$ 656,589
-	(470,728)	-	-	(470,728)
-	-	8,692,148	-	8,692,148
-	-	-	-	-
656,589	(470,728)	8,692,148	-	8,878,009
-	-	82,504	-	82,504
137,246	493,228	163,419	-	793,893
793,835	22,500	8,938,071	-	9,754,406
5,372,019	2,568,300	112,057,652	96	119,998,067
\$ 6,165,854	\$ 2,590,800	\$ 120,995,723	\$ 96	\$ 129,752,473

Note I - Summary of Significant Accounting Policies

The accounting policies of Livingston County, Michigan (the "County") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the County:

Reporting Entity

The County was organized in 1836 and operates under an elected board of commissioners consisting of nine members. The County provides services to its residents in the areas of public safety, including law enforcement and administration of justice, economic development, general government, and human services.

The accompanying financial statements present the County and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the County's operations. The discretely presented component units are reported in a separate column to emphasize that they are legally separate from the County.

Blended Component Units - The Building Authority is governed by a five-member board that is appointed by the County Board of Commissioners. Although legally separate from the County, the Building Authority is reported as part of the primary government because its sole purpose is to finance and construct the County's public buildings.

The following component units are presented discretely from the County:

Drain Commission Boards - Each of the drainage districts established pursuant to the Drain Code of 1956 are separate legal entities, with the power to contract, to sue and be sued, to hold, manage, and dispose of real and personal property, etc. The drainage board or drain commissioner, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for the debt of the drainage district.

Livingston County, Michigan

Notes to Financial Statements December 31, 2006

Note I - Summary of Significant Accounting Policies (Continued)

Department of Public Works - Pursuant to Michigan Compiled Law 123.732, the County has entered into a program of water supply and sanitary sewer facility construction. The Department of Public Works is under the general control of the County Board of Commissioners and under the immediate control of the Board of Public Works, which includes the County Drain Commissioner. The Board of Public Works is considered an agency of the County. The Board of Public Works manages water supply and sanitary sewer system construction projects that are bonded by the County. Bonds issued are authorized by an ordinance or a resolution approved by the Board of Public Works and adopted by the County Board of Commissioners.

Road Commission - The County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by the appointed three-member Board of County Road Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners.

Livingston County Foundation - The Livingston County Foundation, established as a 501(c)(3) not-for-profit entity, is governed by a seven-member board with two members being personnel of Livingston County, one member appointed by two County personnel, one member being a current member of the Livingston County Board of Commissioners, and the remaining three members being appointed by the Livingston County Board of Commissioners. The Foundation is to be used for the enhancements of the Lutz County Park and for the development and maintenance of the Owen J. Lutz and Florence B. Lutz Conference Center.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Note I - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied, except for property taxes, which are required to be recorded in the Revenue Sharing Reserve Fund as mandated by the State. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Note 1 - Summary of Significant Accounting Policies (Continued)

All governmental funds and Agency Funds utilize the modified accrual basis of accounting. The component units record day-to-day activity using the modified accrual basis of accounting but report on the full accrual basis of accounting. The Enterprise Funds utilizes the full accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- Property taxes and other revenue that are both measurable and available for use to finance operations for the County are recorded as revenue when earned.
- Other revenue is recorded when received.
- Property taxes are assessed as of December 31. The related property taxes are billed on July 1 and December 1 of the following year and become a lien at that time. These taxes are due on August 31 and February 14, respectively, with a final collection date of February 28 before they are added to the County tax rolls.
- Property taxes will be used to finance the following year's operations, except for amounts required to be reserved within the Revenue Sharing Reserve Fund. As such, these taxes are recorded as deferred revenue in each respective fund on December 31. Each year, the Revenue Sharing Reserve Fund will transfer an amount equal to the County's revenue-sharing allocation to finance the current year's operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The County has elected not to follow private sector standards issued after November 30, 1989 for its business-type activity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the County's enterprise functions and various other functions of the County. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Note I - Summary of Significant Accounting Policies (Continued)

The County reports the following major governmental funds:

General Fund - The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Ambulance Special Revenue Fund - The Ambulance Special Revenue Fund accounts for all of the activities of the County's ambulance department.

Health Special Revenue Fund - The Health Special Revenue Fund accounts for a variety of health-related services provided by the County to its residents, for both environmental health and personal protection services.

911 Service Special Revenue Fund - The 911 Service Special Revenue Fund accounts for the operation of the 911 system and the Enhance 911 for wireless service activities.

Revenue Sharing Reserve Fund - The Revenue Sharing Reserve Fund is a mandatory fund restricted for replacing state-shared revenues that have been suspended. The source of the replacement funding is the gradual shift from a winter tax levy to a summer tax levy. One-third of the County's December 2004 property tax levy must be placed in the fund from the December 2004, 2005, and 2006 property tax levies.

The County reports the following major proprietary funds:

Building and Safety Fund - The Building and Safety Fund accounts for revenues earmarked for building construction code enforcement activities.

Airport Fund - The Airport Fund accounts for the operations of the rural airport located in the County. The primary revenue source is charges for services and grant monies for the airport expansion.

Delinquent Tax Revolving Fund - The Delinquent Tax Revolving Fund accounts for the purchase of delinquent tax rolls from the County's local units. Interest and penalties received within the collection of these receivables are the Delinquent Tax Revolving Fund's primary source of revenue.

Note I - Summary of Significant Accounting Policies (Continued)

Additionally, the County reports the following funds:

Special Revenue Funds - Special Revenue Funds account for the revenues and expenditures related to job training services, child care services, family counseling, Friend of the Court, Small Cities Community Development Block Grant, survey and remonumentation, drug law enforcement activities, prosecutor's drug enforcement, criminal and OUIL forfeitures, Law and County Library Funds, community corrections, social welfare, soldiers and sailors relief, Veterans Trust Fund, register of deeds, Local Law Enforcement Block Grant activities, Homestead Property Exemption Fund, Correction Officer's Training, Lutz County Park, and Community Development Block Grant/OLSHA funds.

Debt Service Funds - Debt Service Funds account for the debt retirement activity of the governmental activities of the County for the Road Commission refunding bonds issued in 1995 and 2001, mental health bonds issued in 1999, 2000, and 2002, building improvement bonds issued for various capital projects of the County, and the Building Authority Mental Health Fund.

Capital Projects Funds - Capital Projects Funds account for the development of capital facilities and equipment other than those financed by the operation of a proprietary fund. These projects include the construction of the mobile command unit, jail expansion, courthouse improvements, administration building renovations, other capital improvements of the County, and the West Complex Construction Grant.

Permanent Funds - Permanent Funds account for the maintenance and care of the cemetery.

Internal Service Funds - Internal Service Funds account for building services, information technology, carpool, and benefit services provided to other departments of the government on a cost reimbursement basis.

Trust Funds - The Other Employee Benefits Trust Fund accounts for the activities of the Post Employment Healthcare Trust Fund, which accumulates resources for health care benefit payments for qualified employees.

Agency Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1 and December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The 2005 taxable valuation of the County totaled \$7.76 billion, on which ad valorem taxes levied December 1, 2005 consisted of 0.2799 mills for ambulance operating purposes, and two-thirds of the general operating levy for the 2005 fiscal year, or 2.2710 mills, for County operating purposes and to fund the Revenue Sharing Reserve Fund. On July 1, 2006, two-thirds of the general operating millage for the 2006 fiscal year, or 2.2598 mills, was levied on the 2006 taxable valuation of \$8.35 billion for general operating purposes. This is due to the mandatory and permanent gradual shift from a December to a July tax levy for general operating purposes only. The ad valorem taxes raised were approximately \$28.1 million for general operations and \$2.1 million for ambulance operations. These amounts are recorded in their respective funds as tax revenue. The amount recorded as revenue includes other miscellaneous revenue and other tax-related items and is net of amounts distributed to local DDAs and TIFAs.

Inventories and Prepaid Costs - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Note I - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, buildings, furniture, vehicles, machinery, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, furniture, vehicles, machinery, and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	33 to 50 years
Improvements other than buildings	20 to 40 years
Equipment and furniture	3 to 10 years
Machinery and equipment	5 to 20 years
Vehicles	5 to 10 years

Compensated Absences - The County allows employees to accumulate earned but unused sick and vacation pay benefits. The government-wide and proprietary statements accrue all vacation and personal pay as it is earned. Sick pay is accrued according to management estimates of individuals who are eligible for benefits upon termination or retirement. A liability for these amounts is reported in governmental funds as it comes due for payment (when the time is taken off or employees terminate).

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted for the General Fund and all Special Revenue Funds in compliance with the State Budget Act. The budget is prepared in accordance with accounting principles generally accepted in the United States of America, with the following exceptions:

- Operating transfers have been included in the “revenue” and “expenditure” categories, rather than “other financing sources (uses).”
- Reimbursements from other funds have been included in revenue, rather than a reduction of expenditures.

Any expenditures that exceed the budget must be approved by the County Board of Commissioners through a budget amendment. The County Board of Commissioners approves budget amendments with the following exception: the County administrator has the authority to make interdepartmental line-item transfers that are less than \$10,000.

During the year, the General Fund budget was amended for the following:

- Recognition of board actions regarding: (1) recognition of position vacancy savings in various departments; (2) recommended budget amendments and transfers between departments presented at the sheriff's calendarized budget meeting to maintain compliance with authorized budget and, (3) general increases to the County's workers' compensation experience rating
- Recognition of increases and decreases in grant revenues
- Recognition of reduction in operating expenditures

Note 2 - Stewardship, Compliance, and Accountability (Continued)

During the year, the budgets for the Special Revenue Funds were amended as follows:

- Amendments for capital purchases were authorized in the prior fiscal year; however, the product was received in the current year.
- Recognition of position vacancy savings and/or lay-offs in various departments because of a reduction in demand for services

The budget document presents information by fund, function, department, and line item. The legal level of budgetary control adopted by the Board of Commissioners is the department level in the General Fund and the fund level for all other funds. All annual appropriations lapse at fiscal year end. Encumbrance accounting utilized in governmental funds is the responsibility of each individual department. Encumbrances (purchase orders or service contracts) outstanding at year end are tracked; however, they do not constitute expenditures or liabilities because the goods or services have not been received by year end. The commitments will be honored during the subsequent year.

The budget process begins in April when the Board of Commissioners conducts a “goal-setting workshop” to formulate the strategic goals, policies, and objectives for the upcoming year. To encourage long-term planning, the County prepares biennial budgets.

In May, the strategic goals, policies, and objectives established by the board are shared and discussed with board subcommittees (including elected officials and department heads); public safety; health and human services; infrastructure and development; and general government. The elected officials and department heads make recommendations that may modify the strategic goals, policies, and objectives, and determine how these may impact their departmental budgets.

Additionally in May, the finance department prepares the projection for employee costs, including salaries/wages and all fringe benefits, by department and/or fund. The employee cost spreadsheets, budget worksheets, capital purchase, and new employee request forms are distributed to the departments for preparation of their department biennial budget request. The finance department projects total expenditures per functional group: i.e., public safety, health and human services, infrastructure and development, and general government for the General Fund.

Livingston County, Michigan

Notes to Financial Statements December 31, 2006

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Departments are requested to submit budget requests within these limits. Budget requests are due from the departments on July 30.

In August, the finance department reviews the budget to verify that it balances. Additional board subcommittee meetings are held with the departments to review requests and make modifications. During August, the budget plan is compiled and the County administrator distributes the recommended budget plan to the Board of Commissioners, elected officials, and department heads.

During September, the finance subcommittee reviews the budget plan and makes a recommendation to the Board of Commissioners. Upon review and a subsequent public hearing, the Board of Commissioners authorizes the proposed budget plan by adoption of the General Appropriations Resolution. The budget must be adopted by the Board of Commissioners at its annual meeting.

The Revenue Sharing Reserve Fund did adopt a budget for the year ended December 31, 2006. All transactions within the fund were dictated by state statute and the County did not exercise any discretionary transactions.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Building Services Internal Service Fund and Airport Enterprise Fund had unrestricted net asset deficit balances at December 31, 2006 of \$47,057 and \$589,316, respectively. Additionally, the Job Training nonmajor Special Revenue Fund had an unreserved fund deficit of \$58,024 at December 31, 2006.

The County had the following minimal budget overruns in the current year, due to various expenditures that exceeded budget. Specifically, the overrun in the juvenile court department was caused by higher than projected indigent attorney costs. The overrun in the health department was caused by a recent change in the flow of funds for the indigent health plan whereby the changes were approved after the end of the 2006 fiscal year, and a budget amendment could not be done. The overrun in the emergency services department was caused by increased costs of equipment.

	<u>Budget</u>	<u>Actual</u>
General Fund		
Juvenile court	\$ 1,311,073	\$ 1,331,008
Health department	-	110,000
Emergency services	915,300	924,052

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Other Employee Benefit Trust Fund retiree health care fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The County has designated 13 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment as allowed under state statutory authority as listed above.

The County holds cash and investments on behalf of its component units. These cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's investment policy requires that it shall diversify its investments by security type and institution. No more than 60 percent of the total investment portfolio will be invested in a single security type or with a single financial institution. At year end, the County had bank deposits of \$55,620,888, of which \$1,237,626 is covered by federal depository insurance and \$54,383,262 was uninsured and uncollateralized. The County believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the County evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Livingston County, Michigan

Notes to Financial Statements December 31, 2006

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The County's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Government-wide

Type of Investment	Fair Value	Less than One Year	1-5 Years
Commercial paper	\$ 5,037,278	\$ 5,037,278	\$ -
U.S. agency bond or notes	9,963,353	6,054,903	3,908,450
Mutual fund - Money market	15,888,212	15,888,212	-

Component Units

Type of Investment	Fair Value	Less than One Year	1-5 Years
Commercial paper	\$ 400,000	\$ 400,000	\$ -
Mutual fund - Money market	18,428	18,428	-

Livingston County, Michigan

Notes to Financial Statements December 31, 2006

Note 3 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Government-wide

Investment	Fair Value	Rating	Rating Organization
Commercial paper - Citi Group	\$ 5,037,278	A-I	S&P
Federal Home Loan Bank	5,835,793	AAA/A-I	S&P
Fannie Mae	4,127,560	AA-	S&P
Mutual funds - Money market	15,888,212	AAAM	S&P

Component Units

Investment	Fair Value	Rating	Rating Organization
Commercial paper - LaSalle	\$ 400,000	A-I	S&P
Mutual funds - Money market	18,428	AAAM	S&P

Livingston County, Michigan

Notes to Financial Statements December 31, 2006

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk - The County's investment policy requires it shall diversify its investment by security type and institution by allowing no more than 60 percent of the total investment portfolio to be invested in a single security type, or with a single financial institution. The following shows individual investments held by the County with a balance that is greater than 5 percent of the County's total investments (not including certificates of deposits). These listed investments account for 42 percent of the County's total investments (not including certificates of deposits).

Government-wide

Investment	Fair Value
Commercial paper - Citi Group	\$ 5,037,278
Federal Home Loan Bank	5,835,793
Fannie Mae	2,094,115

Component Units

Investment	Fair Value
Commercial paper - LaSalle	\$ 400,000

Livingston County, Michigan

Notes to Financial Statements December 31, 2006

Note 4 - Capital Assets

Capital asset activity of the County's governmental activities, business-type activities, and component units is as follows:

Primary Government

	Balance January 1, 2006	Additions	Disposals and Adjustments	Balance December 31, 2006
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 6,579,801	\$ 1,657,000	\$ -	\$ 8,236,801
Construction in progress	103,124	-	103,124	-
Subtotal	6,682,925	1,657,000	103,124	8,236,801
Capital assets being depreciated:				
Buildings	54,887,474	193,148	(67,259)	55,147,881
Improvements other than building	2,040,466	-	-	2,040,466
Equipment and furniture	17,310,936	816,456	31,782	18,095,610
Vehicles	3,960,264	832,925	1,093,157	3,700,032
Subtotal	78,199,140	1,842,529	1,057,680	78,983,989
Accumulated depreciation:				
Buildings	11,541,898	1,100,700	-	12,642,598
Improvements other than building	1,608,679	86,282	-	1,694,961
Equipment and furniture	10,817,173	1,338,273	95,125	12,060,321
Vehicles	2,564,352	588,951	1,002,191	2,151,112
Subtotal	26,532,102	3,114,206	1,097,316	28,548,992
Net capital assets being depreciated	51,667,038	(1,271,677)	(39,636)	50,434,997
Net capital assets	\$ 58,349,963	\$ 385,323	\$ 63,488	\$ 58,671,798

Livingston County, Michigan

Notes to Financial Statements December 31, 2006

Note 4 - Capital Assets (Continued)

	Balance January 1, 2006	Additions	Disposals and Adjustments	Balance December 31, 2006
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 8,637,235	\$ 2,309,578	\$ -	\$ 10,946,813
Construction in progress	9,424,808	-	9,424,808	-
Subtotal	18,062,043	2,309,578	9,424,808	10,946,813
Capital assets being depreciated:				
Buildings	3,551,485	-	-	3,551,485
Improvements other than buildings	3,692,139	15,357,170	2,932,967	16,116,342
Vehicles	1,293,823	100,132	287,989	1,105,966
Machinery and equipment	319,994	7,991	4,000	323,985
Subtotal	8,857,441	15,465,293	3,224,956	21,097,778
Accumulated depreciation:				
Buildings	859,367	83,037	-	942,404
Improvements other than buildings	2,170,755	215,990	2,095,693	291,052
Vehicles	657,849	157,136	264,506	550,479
Machinery and equipment	253,991	23,779	4,000	273,770
Subtotal	3,941,962	479,942	2,364,199	2,057,705
Net capital assets being depreciated	4,915,479	14,985,351	860,757	19,040,073
Net capital assets	<u>\$ 22,977,522</u>	<u>\$ 17,294,929</u>	<u>\$ 10,285,565</u>	<u>\$ 29,986,886</u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2006

Note 4 - Capital Assets (Continued)

Component Units	Balance, as restated January 1, 2006	Additions	Disposals and Adjustments	Balance December 31, 2006
Capital assets not being depreciated:				
Land	\$ 24,671,655	\$ 851,869	\$ -	\$ 25,523,524
Construction in progress	-	1,917,323	-	1,917,323
Subtotal	24,671,655	2,769,192	-	27,440,847
Capital assets being depreciated:				
Land improvements	159,393	-	-	159,393
Buildings and improvements	6,998,316	10,107	-	7,008,423
Drains and septic systems	4,378,988	-	-	4,378,988
Machinery, equipment, and vehicles	10,208,666	1,311,438	867,666	10,652,438
Infrastructure - Roads and bridges	138,209,595	14,453,471	-	152,663,066
Depletable assets	488,543	-	-	488,543
Subtotal	160,443,501	15,775,016	867,666	175,350,851
Accumulated depreciation:				
Land improvements	133,072	-	-	133,072
Buildings and improvements	2,139,584	150,754	-	2,290,338
Drains and septic systems	1,478,114	174,845	-	1,652,959
Machinery, equipment, and vehicles	7,573,737	942,672	867,707	7,648,702
Infrastructure - Roads and bridges	59,442,875	6,595,027	-	66,037,902
Depletable assets	118,985	-	-	118,985
Subtotal	70,886,367	7,863,298	867,707	77,881,958
Net capital assets being depreciated	89,557,134	7,911,718	(41)	97,468,893
Net capital assets	\$ 114,228,789	\$ 10,680,910	\$ (41)	\$ 124,909,740

Livingston County, Michigan

Notes to Financial Statements December 31, 2006

Note 4 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government and component units as follows:

Primary Government

Governmental activities:

General government	\$ 952,172
Public safety	1,121,435
Health and welfare	417,027
Community and economic development	1,382
Public works	130,833
Internal Service Funds	491,357

Total governmental activities	<u>\$ 3,114,206</u>
-------------------------------	---------------------

Business-type activities:

Building and safety	\$ 2,477
Airport	268,646
L.E.T.S.	208,819

Total business-type activities	<u>\$ 479,942</u>
--------------------------------	-------------------

Component Units

Component unit activities:

Drain Commission districts	\$ 269,666
Department of Public Works	-
Road Commission	6,286,413

Total component unit activities	<u>\$ 6,556,079</u>
---------------------------------	---------------------

During the fiscal years ended December 31, 2006 and 2005, Livingston County accepted the bequests of the Lutz and Fillmore Estates, totaling approximately \$4.04 million. The County reports this property as a capital asset and exercises control over the use of the property, within the stipulations of the trust documents. The trust documents explicitly limit the uses of the property to park or conference center purposes. The property cannot be sold, split, or subdivided. If the County violates the specified uses for these properties, the assets will revert back to the trust.

Livingston County, Michigan

Notes to Financial Statements December 31, 2006

Note 5 - Interfund Receivables, Payables, Transfers, and Advances

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
Fund Transferred From	Fund Transferred To	Amount
General Fund	Health Fund	\$ 110,000
	Airport Fund	40,000
	Internal Service Funds	31,768
	Total General Fund	181,768
Airport Fund	General Fund	1,468
Delinquent Tax Revolving Fund	Airport Fund	30,237
Internal Service Funds	Nonmajor governmental funds	60,000
	Total	<u>\$ 273,473</u>

Interfund balances represent routine and temporary cash flow assistance.

Fund Transferred From	Fund Transferred To	Amount
Interfund Transfers		
General Fund	Health Fund	\$ 726,604
	Nonmajor governmental funds	2,604,872
	Internal Service Funds	65,000
	Total General Fund	3,396,476
Revenue Sharing Reserve Fund	General Fund	2,669,499
Nonmajor governmental funds	General Fund	36,198
	Internal Service Funds	118,112
	Nonmajor governmental funds	78,000
	Total nonmajor governmental funds	232,310
	Total operating transfers out from governmental funds	6,298,285
Delinquent Tax Revolving Fund	Nonmajor governmental funds	1,683,300
	Total operating transfers out	<u>\$ 7,981,585</u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2006

Note 5 - Interfund Receivables, Payables, Transfers, and Advances (Continued)

Transfers from the General Fund to the Health Fund, nonmajor governmental funds, and the Internal Service Funds provide for operations of those funds, capital projects, and capital acquisitions. The transfer from the Revenue Sharing Reserve Fund provides for operations of the General Fund per Public Act 357 of 2004. The transfers from the nonmajor governmental funds to the General Fund were to cover costs of eligible expenditures made by the General Fund. The transfers from the nonmajor governmental funds to the Internal Service Funds and other nonmajor governmental funds were to provide funding for capital improvements. The transfer from the Delinquent Tax Revolving Fund to the nonmajor governmental funds provides for debt payments and capital improvements.

Advances represent long-term, temporary cash flow assistance between funds.

Receivable Fund	Payable Fund	Amount
Advances		
General Fund	Health Fund	\$ 304,372
	Nonmajor governmental funds	65,086
	Airport Fund	14,521
	Total General Fund	383,979
Delinquent Tax Revolving Fund	Airport Fund	2,420,963
Nonmajor governmental funds	Internal Service Funds	117,898
	Total advances	\$ 2,922,840

Note 6 - Long-term Debt

The County issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the County. County contractual agreements and installment purchase agreements are also general obligations of the government.

Livingston County, Michigan

Notes to Financial Statements December 31, 2006

Note 6 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

Primary Government	Matures	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds:							
1995 Building Authority - Road Commission refunding bonds	2008	5.0%	\$ 1,330,000	\$ -	\$ (415,000)	\$ 915,000	\$ 445,000
1999 Building Authority - Mental health bonds	2024	4.6%	455,000	-	(85,000)	370,000	85,000
2000 Building Authority - Building improvement projects	2014	5.0%	3,605,000	-	(650,000)	2,955,000	685,000
2001 Building Authority - Road Commission refunding bonds	2010	4.5%	1,110,000	-	-	1,110,000	-
2002 Capital improvement bonds	2012	3.5%	3,675,000	-	(465,000)	3,210,000	485,000
2005 Mental health refunding bonds	2024	3.0%	2,160,000	-	(5,000)	2,155,000	5,000
2005 Building Authority - Mental health refunding bonds	2014	3.0%	3,745,000	-	(20,000)	3,725,000	20,000
Subtotal			16,080,000	-	(1,640,000)	14,440,000	1,725,000
Other obligations:							
Drain at large assessments			740,349	-	(127,618)	612,731	115,971
Landfill postclosure liability			1,851,609	-	(135,609)	1,716,000	133,500
Employee compensated absences			1,013,215	645,268	-	1,658,483	274,941
Total governmental activities			\$ 19,685,173	\$ 645,268	\$ (1,903,227)	\$ 18,427,214	\$ 2,249,412
Business-type Activities							
Contractual agreement - MDOT - Bureau of Aeronautics loan	2008	4.7%	\$ 34,757	\$ -	\$ (11,130)	\$ 23,627	\$ 11,653
Component Units							
Component Unit Debt							
Drain Commission districts	2005-2024	2.0%-6.4%	\$ 42,332,545	\$ 1,533,474	\$ (8,645,271)	\$ 35,220,748	\$ 3,324,632
Department of Public Works	2009-2030	2.7%-8.0%	63,855,000	3,165,000	(2,060,000)	64,960,000	3,370,000
Road Commission	2006-2010	3.0%-8.0%	5,183,998	163,364	(781,112)	4,566,250	1,379,777
Total component unit debt			\$ 111,371,543	\$ 4,861,838	\$ (11,486,383)	\$ 104,746,998	\$ 8,074,409

Annual debt service requirements to maturity for the above governmental, business-type, and component unit bond and note obligations are as follows:

	Governmental Activities			Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 1,725,000	\$ 646,236	\$ 2,371,236	\$ 11,653	\$ 1,110	\$ 12,763	\$ 8,074,409	\$ 4,269,443	\$ 12,343,852
2008	1,810,000	564,091	2,374,091	11,974	564	12,538	7,630,117	3,988,522	11,618,639
2009	1,945,000	476,466	2,421,466	-	-	-	7,774,448	3,707,125	11,481,573
2010	2,035,000	387,019	2,422,019	-	-	-	7,370,087	3,431,585	10,801,672
2011	1,545,000	292,606	1,837,606	-	-	-	6,608,412	3,195,596	9,804,008
2012-2016	4,030,000	632,006	4,662,006	-	-	-	29,534,525	11,741,322	41,275,847
2017-2021	795,000	221,346	1,016,346	-	-	-	22,655,000	5,961,270	28,616,270
2022-2026	555,000	48,556	603,556	-	-	-	11,995,000	1,938,482	13,933,482
2027-2031	-	-	-	-	-	-	3,105,000	264,688	3,369,688
Total	\$ 14,440,000	\$ 3,268,326	\$ 17,708,326	\$ 23,627	\$ 1,674	\$ 25,301	\$ 104,746,998	\$ 38,498,033	\$ 143,245,031

Livingston County, Michigan

Notes to Financial Statements December 31, 2006

Note 6 - Long-term Debt (Continued)

Defeased Debt - In the prior year, the County defeased a portion of the Brighton Township Sanitary and Sewer Drainage District Bonds by placing the proceeds of new bonds in an escrow account to provide for all future debt service payments on the defeased portion of the old bonds. Accordingly, the escrow account's assets and the liabilities for the defeased bonds are not included in the basic financial statements. At December 31, 2006, approximately \$17.9 million of bonds outstanding are considered defeased.

Note 7 - Restricted Net Assets

The balances of the restricted net asset accounts are as follows:

	Governmental Activities
Health and welfare expense	\$ 5,074,325
Public safety expense	2,638,878
Community and economic development expense	1,373,474
Revenue-sharing reserve	<u>17,304,931</u>
Total restricted assets	<u>\$ 26,391,608</u>

Note 8 - Reserved and Designated Fund Balances

Fund balances have been reserved and designated as follows:

	Reserved	Designated
General Fund - Reserved for:		
Advance - Health Fund	\$ 304,372	\$ -
Advance - Job Training Services Fund	36,304	-
Advance - Community Corrections Fund	21,782	-
Advance - Lutz County Park Fund	7,000	-
Advance - Airport Fund	14,521	-
Prepaid costs and other assets	<u>84,366</u>	<u>-</u>
Total General Fund	468,345	-

Livingston County, Michigan

Notes to Financial Statements December 31, 2006

Note 8 - Reserved and Designated Fund Balances (Continued)

	Reserved	Designated
Special Revenue Fund - Reserved for:		
Lutz County Park	\$ 16,648	\$ -
Revenue Sharing Reserve Fund	17,304,931	-
Total Special Revenue Funds	17,321,579	-
Debt Service Funds - Reserved for debt service	43,464	-
Capital Projects Funds - Designated for:		
Mobile command	-	1,984
Jail expansion	-	22,558
Courthouse improvements	-	105
Administration building renovations	-	51,675
Capital replacement	-	2,247,448
West complex construction grant	-	36,390
Total Capital Projects Funds	-	2,360,160
Permanent Fund - Reserved for cemetery care	26,402	-
Total	\$ 17,859,790	\$ 2,360,160

Note 9 - Risk Management

The County is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The County has purchased commercial insurance for workers' compensation and excess medical benefit claims, and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to general liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the County.

Livingston County, Michigan

Notes to Financial Statements December 31, 2006

Note 9 - Risk Management (Continued)

At December 31, 2006, the County's Member Retention Fund with the Authority includes approximately \$162,000 reserved for claims and claims adjustment expenses. Upon termination of the program, any amounts remaining on deposit after the Authority has settled all claims incurred prior to termination will be returned to the County. The County estimates the liability for claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past fiscal year are as follows:

Unpaid Claims - Beginning of year	\$ 121,454
Incurred claims (including claims incurred but not reported)	296,808
Claim payments	<u>(126,406)</u>
Unpaid Claims - End of year	<u>\$ 291,856</u>

The County is self-insured for medical benefits provided to active employees and retirees. Claims are being paid out of the Benefits Internal Service Fund. The plan is administered by Blue Cross/Blue Shield of Michigan. The County is self-insured under the Blue Cross/Blue Shield of Michigan program up to \$50,000 per contract with an aggregate stop-loss amount of 120 percent of estimated claims. Once the individual contract or aggregate stop-loss amount is reached, reinsurance provides the remaining benefits. The County incurred approximately \$1,016,000 for insurance expense for the year ended December 31, 2006.

Note 10 - Defined Benefit Pension Plan

Plan Description - The County participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers the majority of County employees. The system provides retirement, disability, and death benefits to plan members and their beneficiaries.

MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Livingston County, Michigan

Notes to Financial Statements December 31, 2006

Note 10 - Defined Benefit Pension Plan (Continued)

During 2003, through collective bargaining, two employee groups (Ambulance Services and 911) opted to institute a defined contribution plan administered by MERS. Existing employees were given the choice to stay in the defined benefit plan or move to the defined contribution plan. Effective in 2003, all new hires are automatically eligible for participation in the defined contribution plan.

Annual Pension Costs - For the year ended December 31, 2006, the County's annual pension cost was \$3,132,768 for the plan. The required and actual contribution to the plan was \$3,078,259. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age actuarial funding method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, attributable to inflation, and (c) additional projected salary increases of 0 percent to 8.40 percent per year, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period.

The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis over a period of 30 years, and 10 years for negative unfunded accrued liabilities.

For the year ended December 31, 2006, the County's annual pension cost and net pension asset are as follows:

Annual required contribution	\$ 3,089,598
Interest on net pension obligation	(147,175)
Adjustment to annual required contribution	<u>201,684</u>
Annual pension cost	3,144,107
Contributions	<u>(3,089,598)</u>
Decrease in net pension asset	54,509
Net pension asset - Beginning of year	<u>1,839,693</u>
Net pension asset - End of year	<u><u>\$ 1,785,184</u></u>

Livingston County, Michigan

Notes to Financial Statements December 31, 2006

Note 10 - Defined Benefit Pension Plan (Continued)

Schedule of Employer Contributions

Year Ending December 31	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2004	\$ 3,004,766	100	\$ 3,051,499	98	\$ 1,890,164
2005	2,862,837	100	2,913,308	90	1,839,693
2006	3,089,598	100	3,144,107	98	1,785,184

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2003	\$ 44,449,170	\$ 57,273,983	\$ 12,824,813	77%	\$ 22,790,250	56%
12/31/2004	48,623,767	66,664,830	18,041,063	73%	25,024,051	72%
12/31/2005	52,613,632	69,394,484	16,780,852	76%	23,856,630	70%

Note 11 - Other Postemployment Benefits

The County has elected to provide postemployment health benefits to eligible participants and their beneficiaries. An employee is eligible to participate if they are a permanent employee and provided eligibility under County policy or an applicable collective bargaining agreement. The retiree health care plan provisions were created by the Livingston County Board of Commissioners. The County maintains two plans:

Note 11 - Other Postemployment Benefits (Continued)

Livingston County Retiree Health Care Plan - The County Retiree Health Care Plan (defined benefit) is for eligible employees hired on or before March 17, 2003 who have elected to remain in this program. Beginning on the effective date, the County shall provide health care benefits to each eligible retiree. The Retiree Health Care Trust Fund will pay the monthly premiums for eligible participants subject to the retirees paying a share of the cost depending on their status and/or years of service. The County will be required to pay to the trust fund an amount consistent with the actuarial valuations and calculations made by an actuary for the trust. The County has opted to start funding the health care benefits proactively. For those employees participating in the defined benefit retiree health care plan, the County's actuarially calculated contribution was \$1.7 million, of which the County elected to contribute \$1,516,000, plus paid claims for retirees of approximately \$746,000 during 2006.

Livingston County Retiree Health Savings Plan - The County Retiree Health Savings Plan (defined contribution) is for eligible employees hired after March 17, 2003, and/or participants of the Retiree Health Care Plan who made a voluntary irrevocable "opt-out" of the Retiree Health Care Plan and elected participation in this new program. In consideration for such a non-revocable decision to opt-out of the Retiree Health Care Plan, the County made an employer contribution in an amount equal to the maximum amounts as described below for each of the eligible years of County service the employee has served. The opt-out window began in November 2003 and ended in January 2004; therefore, funding of this program spans two fiscal years.

Beginning January 1, 2004, participant contributions are made by payroll deduction and deposited into the participant's plan account. The participant will authorize the amount to be deducted on a per pay period basis from their paycheck. The employer contribution match of participant contributions will be subject to the following maximum limitation in each calendar year of participation: first five years of service with the County - up to \$536 per year (prorated); beginning with the sixth year of service with the County until termination of participation - up to \$1,607 per year (prorated). Adjustments may be made annually consistent with the nonunion salary schedule adjustment. The County match shall be distributed over a 12-month period.

For those employees participating in the defined contribution retiree health care plan, the County contributed approximately \$204,000 during the current year.

Note 11 - Other Postemployment Benefits (Continued)

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2008.

Note 12 - Prior Period Adjustment

During the year ended December 31, 2006, the amount of infrastructure and right-of-way that has been dedicated to the Road Commission component unit by various subdivisions throughout Livingston County between 1980 and 2005 was determined. The prior period adjustment of \$37,284,869 reflects the net book value for dedicated infrastructure, increasing the net assets of the Road Commission from \$74,774,783 to \$112,057,652 at December 31, 2005. It also reclassifies the net book value of road infrastructure that had previously been reported as bridge infrastructure.

Required Supplemental Information

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Taxes				
Property taxes	\$ 27,445,181	\$ 27,445,181	\$ 27,978,094	\$ 532,913
Mobile home taxes	19,000	19,000	18,616	(384)
Industrial facilities taxes	210,000	210,000	265,720	55,720
Penalties and interest	12,000	12,000	48,224	36,224
Total taxes	27,686,181	27,686,181	28,310,654	624,473
Licenses and Permits	441,100	441,100	339,386	(101,714)
Federal Grants				
Child support grant	1,042,226	1,042,226	1,071,232	29,006
COPS grant	54,865	50,013	46,961	(3,052)
Emergency services	910,000	910,000	840,985	(69,015)
Other federal grants	-	15,000	261,937	246,937
Total federal grants	2,007,091	2,017,239	2,221,115	203,876
State Sources				
Court-related grants	844,176	844,176	811,188	(32,988)
Public safety grants	285,386	247,642	264,121	16,479
Alcohol and convention tax	738,056	738,056	734,561	(3,495)
MSHDA/OLSHA grant	150,000	150,000	1,350	(148,650)
Cigarette tax distribution	26,631	26,631	27,262	631
Liquor licenses	-	-	14,830	14,830
Other state grants	206,900	206,900	179,848	(27,052)
Total state sources	2,251,149	2,213,405	2,033,160	(180,245)

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue (Continued)				
Contributions From Local Units	\$ 1,140,588	\$ 1,133,453	\$ 1,135,268	\$ 1,815
Charges for Services				
Court-related charges	3,377,230	3,377,230	3,737,511	360,281
Sheriff service contracts	461,700	461,700	551,956	90,256
Jail services	168,700	168,700	136,766	(31,934)
Plat, site, and construction reviews	174,726	174,726	111,353	(63,373)
Equalization services	60,000	60,000	72,393	12,393
Register of deeds	1,373,900	1,373,900	952,048	(421,852)
Real estate transfer tax	1,285,000	1,285,000	1,054,943	(230,057)
Other charges for services	475,596	163,850	119,245	(44,605)
Total charges for services	7,376,852	7,065,106	6,736,215	(328,891)
Fines and Forfeitures	494,200	509,200	474,320	(34,880)
Interest and Rent				
Interest and investments	565,602	565,602	1,205,994	640,392
Rent	9,000	9,000	11,697	2,697
Total interest and rent	574,602	574,602	1,217,691	643,089
Other Revenue				
Refunds	185,500	185,500	223,800	38,300
Donations	500	7,100	12,383	5,283
Reimbursements of clerk's office costs	20,000	20,000	53,968	33,968
Reimbursements of court-related costs	230,900	230,900	274,305	43,405
Reimbursements from other funds	395,414	395,414	312,985	(82,429)
Reimbursements of public safety costs	447,700	425,527	363,782	(61,745)
Reimbursements of treasurer's office costs	4,400	4,400	12,755	8,355
Gain on sale	750	750	1,204	454
Operating transfers in	2,656,578	2,692,776	2,705,697	12,921
Total other revenue	3,941,742	3,962,367	3,960,879	(1,488)
Total revenue	\$ 45,913,505	\$ 45,602,653	\$ 46,428,688	\$ 826,035

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures				
Public safety:				
Court systems:				
Circuit Court	\$ 927,804	\$ 927,804	837,369	\$ 90,435
District Court	2,283,233	2,230,316	2,138,017	92,299
Friend of the Court	2,039,452	2,024,460	2,008,123	16,337
Probate Court	701,623	701,623	670,835	30,788
Juvenile Court	1,311,073	1,311,073	1,331,008	(19,935)
Guardianship services	9,200	9,200	7,019	2,181
Circuit Court probation	32,514	32,514	28,535	3,979
Appellate Court	70,600	70,600	41,183	29,417
Central services - Judicial center	2,186,723	2,186,723	2,117,300	69,423
Prosecuting attorney	1,930,459	1,939,493	1,924,446	15,047
Total court systems	11,492,681	11,433,806	11,103,835	329,971
Sheriff and jail:				
Sheriff and Road Patrol	8,123,596	8,210,996	8,124,634	86,362
Road Patrol	458,795	422,042	418,846	3,196
Jail	5,770,259	6,196,856	6,174,925	21,931
Marine	116,202	116,202	119,232	(3,030)
START	42,907	42,907	41,843	1,064
Total sheriff and jail	14,511,759	14,989,003	14,879,480	109,523
Other public safety:				
Family support	260,949	268,337	268,928	(591)
Emergency services	915,300	915,300	924,052	(8,752)
Animal shelter	571,937	598,937	549,044	49,893
Health department	-	-	110,000	(110,000)
Medical examiner	168,433	188,433	192,874	(4,441)
Total other public safety	1,916,619	1,971,007	2,044,898	(73,891)
Total public safety	27,921,059	28,393,816	28,028,213	365,603

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
Economic development:				
Equalization	\$ 681,449	\$ 728,874	\$ 713,273	\$ 15,601
Register of Deeds	799,716	799,716	761,509	38,207
Plat Board	2,530	2,530	2,485	45
Drain Commission	2,104,217	2,114,230	1,995,962	118,268
County share of drain costs	302,000	326,611	325,828	783
Planning	620,194	579,468	530,661	48,807
Solid waste/DPW/Landfill	147,724	125,257	115,931	9,326
Transfer to Capital Improvement	889,151	889,151	889,152	(1)
Total economic development	5,546,981	5,565,837	5,334,801	231,036
Human services:				
MSU co-op extension	420,053	420,053	388,088	31,965
Contagious diseases	5,000	5,000	4,977	23
OLHSA	150,000	150,000	30,603	119,397
Community action programs	637,326	637,326	635,579	1,747
Mental health	605,228	605,228	600,470	4,758
Senior services	157,340	168,987	168,162	825
Veterans' burials	25,000	25,000	21,816	3,184
Veterans' affairs	204,862	204,862	202,121	2,741
Rental fees	536,458	536,463	536,460	3
Operating transfer out	-	12,550	12,550	-
Transfer to child care	1,952,800	1,652,800	1,652,800	-
Transfer to social welfare	10,500	10,500	10,500	-
Transfer to health - Operating	836,605	836,605	726,604	110,001
Transfer to soldier and sailor relief	6,000	6,000	6,000	-
Transfer to benefits	65,000	65,000	65,000	-
Transfer to employee fringe benefits	65,000	55,360	-	55,360
Transfer to community corrections	8,870	33,870	33,870	-
Total human services	5,686,042	5,425,604	5,095,600	330,004

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
General government:				
Board of Commissioners	\$ 574,669	\$ 512,669	\$ 472,838	\$ 39,831
County administration	536,230	522,120	503,115	19,005
Elections	160,584	160,584	137,969	22,615
Civil counsel	120,000	120,000	117,733	2,267
County Clerk	1,457,013	1,457,013	1,383,505	73,508
Auditing services	110,000	110,000	100,018	9,982
Personnel	448,129	407,172	331,948	75,224
Purchasing	148,476	148,476	144,473	4,003
Tax allocation	1,250	1,250	1,235	15
County Treasurer	854,524	906,741	887,194	19,547
Information technology management	318,302	318,302	316,397	1,905
Insurance	1,075,834	1,075,834	1,016,188	59,646
Other	899,419	436,957	3,049	433,908
Total general government	6,769,430	6,232,478	5,415,662	816,816
Total General Fund expenditures	45,923,512	45,617,735	43,874,276	1,743,459
Excess of Revenue Over Expenditures or (Expenditures Over Revenue)	(10,007)	(15,082)	2,554,412	2,569,494
Fund Balance - Beginning of year	11,383,259	11,383,259	11,383,259	-
Fund Balance - End of year	<u>\$ 11,373,252</u>	<u>\$ 11,368,177</u>	<u>\$ 13,937,671</u>	<u>\$ 2,569,494</u>

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule Ambulance Special Revenue Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,066,256	\$ 2,066,256	\$ 2,129,855	\$ 63,599
Charges for services	3,370,972	3,370,972	3,749,471	378,499
Interests and rents	50,500	50,500	154,442	103,942
Federal sources	-	-	211,560	211,560
Other revenue	-	-	28,500	28,500
Total revenue	5,487,728	5,487,728	6,273,828	786,100
Expenditures - Health and welfare	5,487,728	5,465,879	5,218,377	247,502
Excess of Revenue Over Expenditures	-	21,849	1,055,451	1,033,602
Fund Balance - Beginning of year	2,530,211	2,530,211	2,530,211	-
Fund Balance - End of year	<u>\$ 2,530,211</u>	<u>\$ 2,552,060</u>	<u>\$ 3,585,662</u>	<u>\$ 1,033,602</u>

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule Health Special Revenue Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Licenses and permits	\$ 377,810	\$ 264,510	\$ 218,678	\$ (45,832)
Federal grants	631,762	1,019,549	1,051,007	31,458
State grants	825,725	795,725	884,344	88,619
Charges for services	771,368	704,568	693,556	(11,012)
Operating transfers from other funds	836,605	836,605	726,604	(110,001)
Total revenue	3,443,270	3,620,957	3,574,189	(46,768)
Expenditures - Environmental health and personal protective services	3,443,270	3,620,957	3,594,333	26,624
Excess of Expenditures Over Revenue	-	-	(20,144)	(20,144)
Fund Balance - Beginning of year	432,897	432,897	432,897	-
Fund Balance - End of year	<u>\$ 432,897</u>	<u>\$ 432,897</u>	<u>\$ 412,753</u>	<u>\$ (20,144)</u>

Livingston County, Michigan

Required Supplemental Information Budgetary Comparison Schedule 911 Service Special Revenue Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Federal grants	\$ -	\$ -	\$ 40,729	\$ 40,729
State grants	227,000	227,000	272,297	45,297
Charges for services	2,839,699	2,839,699	2,795,399	(44,300)
Interest and rents	25,000	25,000	110,044	85,044
Total revenue	3,091,699	3,091,699	3,218,469	126,770
Expenditures - Public safety expense	3,091,699	3,097,384	2,962,018	135,366
Excess of Revenue Over (Under) Expenditures	-	(5,685)	256,451	262,136
Fund Balance - Beginning of year	2,111,692	2,111,692	2,111,692	-
Fund Balance - End of year	<u>\$ 2,111,692</u>	<u>\$ 2,106,007</u>	<u>\$ 2,368,143</u>	<u>\$ 262,136</u>

Other Supplemental Information

Livingston County, Michigan

Special Revenue Funds

Special Revenue Funds are used to account for the revenue from specific revenue sources that are restricted to expenditures for specific purposes by administrative action or law. A description of the Special Revenue Funds maintained by the County is as follows:

Ambulance Fund - This fund accounts for monies received from a special tax levy for the purpose of providing emergency medical services authorized by a vote of the County electors.

Health Fund - This fund accounts for monies received from federal, state, and local grants and County General Fund appropriations. These monies are utilized in providing a variety of health-related services to County residents. There are two types of activities included in this fund: environmental health and personal protection services.

911 Service Fund - This fund is used to account for the monies received under the provisions of Public Act 29 of 1994. These monies are to be used exclusively for the operation of the 911 system and the Enhanced 911 for wireless services.

Revenue Sharing Reserve Fund - This fund is a mandatory fund restricted for replacing state-shared revenues that have been suspended. The source of the replacement funding is the gradual shift from a winter tax levy to a summer tax levy. One-third of the County's December property tax levy must be placed in the fund from the December 2004, 2005, and 2006 property tax levy. This fund is required by Public Act 357 of 2004.

Job Training Services - This fund accounts for the monies received from federal and state grants related to job training and various Michigan Works! activities.

Child Care Fund - This fund accounts for the foster care of children. The fund's primary revenue is a General Fund appropriation and state grants. The fund is required by MCL 400.117a. The Child Care Fund has two separate activities, one each for the Probate Court and Family Independence Agency.

Family Counseling - This fund accounts for monies received from a surcharge on all marriage licenses filed with the County. These monies are to be used for family counseling services as directed by the District Court.

Friend of the Court - This fund accounts for the monies received from statutory charges and a 3 percent State Court incentive received from the State (Access and Visitation Grant). These monies are to be used for Friend of the Court activities required by Acts 297 and 298 PA 1982, as amended.

Small Cities Community Development Block Grant Fund - This fund accounts for the monies received from MSHDA for community development.

Survey and Remonumentation Fund - This fund accounts for the revenues and expenditures related to the marking, the corners, and horizontal and vertical control stations. This service is performed by the office of the Register of Deeds.

Livingston County, Michigan

Special Revenue Funds (Continued)

Prosecutor's Drug Enforcement, Drug Law Enforcement Fund, Criminal Forfeiture Fund, and OUIL Forfeiture Fund - These funds account for the monies received from the Federal Drug Enforcement Agency for law enforcement purposes and for state funds related to drug enforcement purposes. These monies are to be used to supplement existing law and drug enforcement funds in the law enforcement fields.

Law Library Fund - This fund accounts for the maintenance of the County law library. The fund's primary revenue is a specified portion of the penal fines collected each year by the County courts. This fund is required by MCL 600.485 I.

County Library Fund - Public Act 59, 1964, provides for the establishment of County Library boards with the authority to contract for public library services for those residents of the County without free access to a legally established public library. Penal fines dedicated to those areas without a contract are transferred to the County Library Fund pending a contract agreement for those library services.

Community Corrections Fund - This fund is a state grant used to enhance the delivery of adult probation services in the County.

Social Welfare Fund - This fund accounts for the operations of the County Family Independence Agency to assist with the welfare program that offers aid to disadvantaged individuals of Livingston County.

Soldiers and Sailors Relief Fund - This fund accounts for assistance to indigent veterans and their families. The fund's primary revenue is a General Fund appropriation. The fund is required by MCL 35.2 I.

Veterans Trust Fund - This fund accounts for the monies received by the State Department of Military Affairs from the State Veterans Trust Fund. These monies are to be used to aid needy veterans. The fund is required by MCL 35.607.

Register of Deeds/Technology Fund - This fund is used to account for funds set aside under provisions of Public Act 698 of 2002 (MCL 600.2568). This fund was created for upgrading technology in the Register of Deed's office.

Local Law Enforcement Block Grant - These funds are used in any local unit of government that has budgetary authority over an agency that may seize property involved in the violation of controlled substances statutes, Act 135 PA 1985 (MCL 333.7523). Authorized expenditures include expenses of seizure, forfeiture, and sale of property. The balance remaining must be used to enhance law enforcement efforts.

Homestead Property Exemption Fund - This fund is a restricted fund to account for interest distributed to the County from delinquent principal residence exemptions. It is to be used solely for the administration of principal residence exemptions and is required by Public Act 105 of 2003.

Livingston County, Michigan

Special Revenue Funds (Continued)

Correction Officer's Training Fund - This fund is used to account for revenues and expenditures made by the County and used for different training programs in which correction officers participate. Revenue for the fund is earned through incarceration fees, and is used for continuing education, certification, re-certification, and training of local correction officers and inmate programs, including substance abuse and mental health programs.

Lutz County Park - This fund is used to account for money held by the County for the maintenance of Lutz County Park.

Community Development Block Grant OLSHA - This fund accounts for loans made through a federal program which assists individuals in purchasing homes.

Livingston County, Michigan

Debt Service Funds

Debt Service Funds are required if they are legally mandated and/or if financial resources are being accumulated for principal and interest payments maturing in future years.

1995 Road Commission Refunding Bonds Fund - This fund accounts for the Road Commission Building refunding bonds issued in 1995.

Mental Health Bonds Fund - This fund accounts for the proceeds and repayments from a bond issuance in 1999 for the mental health capital project.

2000 Building Improvements Bonds Fund - This fund accounts for the bonds issued in 2000 for the Old Court House, judicial center, law center, jail renovations, animal control, and 911 building capital projects.

2001 Bonds - Road Commission Refunding Bonds Fund - This fund accounts for the proceeds and repayments from debt issued in 2001 on behalf of the Road Commission.

2002 Capital Improvement Bonds - This fund accounts for the bonds issued in 2002 for the administrative building and other capital projects.

Building Authority Mental Health Refunding Bonds - This fund accounts for the proceeds and repayments from the debt issued in 2005 on behalf of the 1999 and 2000 Building Authority Mental Health Bonds.

Livingston County, Michigan

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition or construction of major capital facilities by a governmental unit that are not accounted for by proprietary funds and trust funds.

Mobile Command Fund - This fund accounted for the procurement of the mobile command unit.

Jail Expansion Fund - This fund accounts for the jail expansion capital project.

Courthouse Improvement Fund - This fund is used to account for courthouse improvements.

Administration Building Renovations Fund - This fund is used to account for the renovations to the administration building.

Capital Replacement Fund - This fund was created to be used for minor/major facility repairs or refurbishment and capital purchases.

West Complex Construction Fund - This fund was created to account for monies which will be used to construct the County's West Complex.

Livingston County, Michigan

Permanent Fund

Permanent funds are a new fund type created by GASB No. 34 used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Cemetery Trust Fund - This fund is used to account for money held by the County in trust for the perpetual care of cemetery lots for indigents.

Livingston County, Michigan

Enterprise Funds

Enterprise Funds are used to report any activity for which a fee is charged to external users for goods or services. The cost of operations is supported totally by fees and charges, rather than with taxes or similar revenues.

Building and Safety Fund - This fund is used to account for revenues earmarked for building construction code enforcement activities. The fund is required by Section 22 (I) of Act 230 PA 1972.

Airport Fund, Airport Debt Fund, and Airport Capital Improvement Fund - These funds account for the operations of the rural airport located in the County. The primary revenue sources are charges for services and grants received from federal and state sources.

Livingston Essential Transportation System - Livingston Essential Transportation System (the "System"), also known as the Livingston Transit System, operates a bus system that primarily provides busing services to low- to moderate-income persons within Livingston County. Revenue sources include charges for services, federal and state grants, and rental income from the EMS department.

Delinquent Tax Revolving Fund - This fund accounts for the purchase of delinquent tax rolls from the County's local units. Interest and penalties received with the collection of these receivables are the fund's primary source of revenue.

Livingston County, Michigan

Internal Service Funds

Internal Service Funds may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis.

Building Services Fund - This fund oversees the maintenance and operations of all County facilities.

Information Technology Fund - This fund includes computer information services, geographical information services, and communications. It is an all-encompassing technology fund for voice and data. Its primary responsibility is the procurement, installation, and maintenance of the County's computer and telephone system.

Carpool Fund - This fund is used to account for revenues collected from user departments for the vehicle rental charges to cover the costs incurred to administer the motor pool fund and depreciation of vehicles. The Carpool Fund owns the majority of the County vehicles.

Benefits Fund - The fund is used to account for revenues collected from user departments for the payment of costs incurred to administer the self-funded health insurance program, third-party administrative expenses, and actual health claims paid. As part of union contracts and personnel policies, the fund also pays the health insurance on certain retired employees.

Livingston County, Michigan

Component Units

Drain Commission - This component unit accounts for all the funds maintained by the drain commissioner. Each of the drainage districts established pursuant to the Drain Code of 1956 are separate legal entities, with the power to contract, to sue and be sued, to hold, manage, and dispose of real and personal property, etc. The Drainage Board of Drain Commissioners, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for the debt of a drainage district.

Department of Public Works - Pursuant to Michigan Compiled Law 123.732, the County has entered into a program of water supply and sanitary sewer facility construction. The Department of Public Works is under the general control of the County Board of Commissioners and under the immediate control of a Board of Public Works, which includes the County Drain Commissioner. The Board of Public Works is considered an agency of the County. The board manages water supply and sanitary sewer system construction projects that are bonded by the County. Bonds issued are authorized by an ordinance or a resolution approved by the Board of Public Works and adopted by the County Board of Commissioners.

Road Commission - The County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by an appointed three-member Board of County Road Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners.

Livingston County Foundation - The Livingston County Foundation, established as a 501(c)(3) not-for-profit entity, is governed by a seven-member board with two members being personnel of Livingston County, one member appointed by two of the County's personnel, one member being a current member of the Livingston County Board of Commissioners, and the remaining three members being appointed by the Livingston County Board of Commissioners. The Foundation is to be used for the enhancements of the Lutz County Park and for the development and maintenance of the Owen J. Lutz and Florence B. Lutz Conference Center.

Livingston County, Michigan

Special Revenue Funds						
	Job Training Services	Child Care	Family Counseling	Friend of the Court	Small Cities Community Development Block Grant	Survey and Remonumen- tation
Assets						
Cash and investments	\$ (287,322)	\$ 1,105,077	\$ 21,636	\$ 170,676	\$ 514,917	\$ 807,198
Due from other governments	373,708	-	-	22,660	-	142
Advances from other funds	-	-	-	-	-	-
Other assets	241	-	-	383	5,231	3,303
Total assets	<u>\$ 86,627</u>	<u>\$ 1,105,077</u>	<u>\$ 21,636</u>	<u>\$ 193,719</u>	<u>\$ 520,148</u>	<u>\$ 810,643</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 98,460	\$ 98,080	\$ -	\$ 9,588	\$ 4,250	\$ 43,900
Due to other funds	-	-	-	-	-	-
Accrued liabilities	9,887	-	-	-	-	331
Due to other governmental units	-	165,647	-	-	-	-
Advances from other funds	36,304	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	144,651	263,727	-	9,588	4,250	44,231
Fund Balances						
Reserved or designated	-	-	-	-	-	-
Unreserved	(58,024)	841,350	21,636	184,131	515,898	766,412
Total fund balances	(58,024)	841,350	21,636	184,131	515,898	766,412
Total liabilities and fund balances	<u>\$ 86,627</u>	<u>\$ 1,105,077</u>	<u>\$ 21,636</u>	<u>\$ 193,719</u>	<u>\$ 520,148</u>	<u>\$ 810,643</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2006**

Special Revenue Funds

Prosecutor's Drug Enforcement	Drug Law Enforcement	Criminal Forfeiture	OUIL Forfeiture	Law Library	County Library	Community Corrections
\$ 52,659	\$ 36,070	\$ 8,471	\$ 5,260	\$ 22,258	\$ 36,163	\$ (6,239)
-	-	-	-	-	-	60,847
-	-	-	-	-	-	-
-	16,635	-	-	13	336	-
<u>\$ 52,659</u>	<u>\$ 52,705</u>	<u>\$ 8,471</u>	<u>\$ 5,260</u>	<u>\$ 22,271</u>	<u>\$ 36,499</u>	<u>\$ 54,608</u>
\$ 336	\$ 14,647	\$ 132	\$ -	\$ 335	\$ -	\$ 19,281
-	-	-	-	-	-	-
-	-	-	-	-	-	4,969
-	-	-	-	-	-	-
-	-	-	-	-	-	21,782
-	-	-	-	-	-	-
336	14,647	132	-	335	-	46,032
-	-	-	-	-	-	-
<u>52,323</u>	<u>38,058</u>	<u>8,339</u>	<u>5,260</u>	<u>21,936</u>	<u>36,499</u>	<u>8,576</u>
<u>52,323</u>	<u>38,058</u>	<u>8,339</u>	<u>5,260</u>	<u>21,936</u>	<u>36,499</u>	<u>8,576</u>
<u>\$ 52,659</u>	<u>\$ 52,705</u>	<u>\$ 8,471</u>	<u>\$ 5,260</u>	<u>\$ 22,271</u>	<u>\$ 36,499</u>	<u>\$ 54,608</u>

Livingston County, Michigan

	Special Revenue Funds					
	Social Welfare	Soldiers and Sailors Relief	Veterans' Trust	Register of Deeds	Local Law Enforcement Block Grant	Homestead Property Exemption Fund
Assets						
Cash and investments	\$ 28,058	\$ 7,623	\$ 2,383	\$ 674,650	\$ 162,673	\$ 15,050
Due from other governments	5,050	-	-	355	-	-
Advances from other funds	-	-	-	-	-	-
Other assets	-	-	-	1,293	-	9
Total assets	<u>\$ 33,108</u>	<u>\$ 7,623</u>	<u>\$ 2,383</u>	<u>\$ 676,298</u>	<u>\$ 162,673</u>	<u>\$ 15,059</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ 155	\$ 166	\$ 65,000	\$ 4,494	\$ -
Due to other funds	-	-	-	-	-	-
Accrued liabilities	-	-	-	-	-	-
Due to other governmental units	14,000	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	14,000	155	166	65,000	4,494	-
Fund Balances						
Reserved or designated	-	-	-	-	-	-
Unreserved	19,108	7,468	2,217	611,298	158,179	15,059
Total fund balances	19,108	7,468	2,217	611,298	158,179	15,059
Total liabilities and fund balances	<u>\$ 33,108</u>	<u>\$ 7,623</u>	<u>\$ 2,383</u>	<u>\$ 676,298</u>	<u>\$ 162,673</u>	<u>\$ 15,059</u>

Other Supplemental Information
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
December 31, 2006

Debt Service Funds									
Correction Officers Training	Lutz County Park	Community Development Block Grant OLSHA	1995 Road Commission Refunding Bonds	Mental Health Bonds	2000 Building Improvements Bonds	2001 Bonds - Road Commission Refunding Bonds	2002 Capital Improvement Bonds	Refunding Building Authority Mental Health Fund	
\$ 32,723	\$ 21,270	\$ 42,705	\$ 28,404	\$ 2,747	\$ -	\$ 3,953	\$ -	\$ 8,355	
-	100	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	2,338	523,618	-	-	-	-	-	5	
<u>\$ 32,723</u>	<u>\$ 23,708</u>	<u>\$ 566,323</u>	<u>\$ 28,404</u>	<u>\$ 2,747</u>	<u>\$ -</u>	<u>\$ 3,953</u>	<u>\$ -</u>	<u>\$ 8,360</u>	
\$ 6,786	\$ 60	\$ 10,086	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	7,000	-	-	-	-	-	-	-	
-	-	523,593	-	-	-	-	-	-	
6,786	7,060	533,679	-	-	-	-	-	-	
-	16,648	-	28,404	2,747	-	3,953	-	8,360	
<u>25,937</u>	<u>-</u>	<u>32,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<u>25,937</u>	<u>16,648</u>	<u>32,644</u>	<u>28,404</u>	<u>2,747</u>	<u>-</u>	<u>3,953</u>	<u>-</u>	<u>8,360</u>	
<u>\$ 32,723</u>	<u>\$ 23,708</u>	<u>\$ 566,323</u>	<u>\$ 28,404</u>	<u>\$ 2,747</u>	<u>\$ -</u>	<u>\$ 3,953</u>	<u>\$ -</u>	<u>\$ 8,360</u>	

Livingston County, Michigan

	Capital Projects Funds					
	Mobile		Administration		West Complex	
	Command	Jail Expansion	Courthouse Improvement	Building Renovations	Capital Replacement	Construction Grant
Assets						
Cash and investments	\$ 1,984	\$ 23,143	\$ 105	\$ 51,645	\$ 2,167,114	\$ 38,025
Due from other governments	-	-	-	-	-	-
Advances to other funds	-	-	-	-	117,898	-
Other assets	-	-	-	30	22,436	-
Total assets	<u>\$ 1,984</u>	<u>\$ 23,143</u>	<u>\$ 105</u>	<u>\$ 51,675</u>	<u>\$ 2,307,448</u>	<u>\$ 38,025</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ 585	\$ -	\$ -	\$ -	\$ 1,635
Due to other funds	-	-	-	-	60,000	-
Accrued liabilities	-	-	-	-	-	-
Due to other governmental units	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	-	585	-	-	60,000	1,635
Fund Balances						
Reserved or designated	1,984	22,558	105	51,675	2,247,448	36,390
Unreserved	-	-	-	-	-	-
Total fund balances	<u>1,984</u>	<u>22,558</u>	<u>105</u>	<u>51,675</u>	<u>2,247,448</u>	<u>36,390</u>
Total liabilities and fund balances	<u>\$ 1,984</u>	<u>\$ 23,143</u>	<u>\$ 105</u>	<u>\$ 51,675</u>	<u>\$ 2,307,448</u>	<u>\$ 38,025</u>

**Other Supplemental Information
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
December 31, 2006**

Permanent Fund

<u>Cemetery</u>	<u>Total Nonmajor Funds</u>
\$ 26,387	\$ 5,825,821
-	462,862
-	117,898
<u>15</u>	<u>575,886</u>
<u>\$ 26,402</u>	<u>\$ 6,982,467</u>
\$ -	\$ 377,976
-	60,000
-	15,187
-	179,647
-	65,086
<u>-</u>	<u>523,593</u>
-	1,221,489
26,402	2,446,674
<u>-</u>	<u>3,314,304</u>
<u>26,402</u>	<u>5,760,978</u>
<u>\$ 26,402</u>	<u>\$ 6,982,467</u>

Livingston County, Michigan

Special Revenue Funds

	Job Training Services	Child Care	Family Counseling	Friend of the Court	Small Cities Community Development Block Grant	Survey and Remonumen- tation	Prosecutor's Drug Enforcement
Revenue							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	1,758,991	-	-	-	-	-	-
State sources	60,441	687,306	-	-	-	389,182	-
Charges for services	13,014	101,457	-	91,060	-	99,221	-
Contributions from local units	-	-	-	-	-	-	-
Interest earned	-	-	-	7,952	26,548	36,532	-
Other	-	-	14,700	-	-	-	23,340
Total revenue	1,832,446	788,763	14,700	99,012	26,548	524,935	23,340
Expenditures							
Current:							
Public safety	-	-	7,406	67,883	-	-	56,534
Community and economic development	-	-	-	-	17,000	242,957	-
Health and welfare	2,060,348	2,189,859	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	2,060,348	2,189,859	7,406	67,883	17,000	242,957	56,534
Excess of Revenue Over (Under)							
Expenditures	(227,902)	(1,401,096)	7,294	31,129	9,548	281,978	(33,194)
Other Financing Sources (Uses)							
Operating transfers in	-	1,652,800	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	1,652,800	-	-	-	-	-
Net Change in Fund Balances	(227,902)	251,704	7,294	31,129	9,548	281,978	(33,194)
Fund Balances - Beginning of year	169,878	589,646	14,342	153,002	506,350	484,434	85,517
Fund Balances - End of year	\$ (58,024)	\$ 841,350	\$ 21,636	\$ 184,131	\$ 515,898	\$ 766,412	\$ 52,323

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2006

Special Revenue Funds

Drug Law Enforcement	Criminal Forfeiture	OUIL Forfeiture	Law Library	County Library	Community Corrections
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	5,722	-	-	-	270,496
-	-	101	-	-	-
-	-	-	-	-	-
-	-	-	13	1,622	-
<u>48,826</u>	<u>2,650</u>	<u>3,252</u>	<u>6,500</u>	<u>5,088</u>	<u>-</u>
48,826	8,372	3,353	6,513	6,710	270,496
18,610	412	1,471	-	-	305,268
-	-	-	2,920	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>18,610</u>	<u>412</u>	<u>1,471</u>	<u>2,920</u>	<u>-</u>	<u>305,268</u>
30,216	7,960	1,882	3,593	6,710	(34,772)
-	-	-	-	-	33,870
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,870</u>
30,216	7,960	1,882	3,593	6,710	(902)
<u>7,842</u>	<u>379</u>	<u>3,378</u>	<u>18,343</u>	<u>29,789</u>	<u>9,478</u>
<u>\$ 38,058</u>	<u>\$ 8,339</u>	<u>\$ 5,260</u>	<u>\$ 21,936</u>	<u>\$ 36,499</u>	<u>\$ 8,576</u>

Livingston County, Michigan

	Special Revenue Funds					
	Social Welfare	Soldiers and Sailors Relief	Veterans' Trust	Register of Deeds	Local Law Enforcement Block Grant	Homestead Property Exemption Fund
Revenue						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	190,651	-
State sources	109,801	-	38,208	-	-	-
Charges for services	8,203	-	-	248,070	-	-
Contributions from local units	-	-	-	-	-	-
Interest earned	-	-	-	36,936	4,515	859
Other	-	25	-	-	3,999	2,265
Total revenue	118,004	25	38,208	285,006	199,165	3,124
Expenditures						
Current:						
Public safety	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-
Health and welfare	138,254	5,012	38,275	444,407	52,014	1,957
Capital outlay	-	-	-	-	-	-
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	138,254	5,012	38,275	444,407	52,014	1,957
Excess of Revenue Over (Under)						
Expenditures	(20,250)	(4,987)	(67)	(159,401)	147,151	1,167
Other Financing Sources (Uses)						
Operating transfers in	10,500	6,000	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	10,500	6,000	-	-	-	-
Net Change in Fund Balances	(9,750)	1,013	(67)	(159,401)	147,151	1,167
Fund Balances - Beginning of year	28,858	6,455	2,284	770,699	11,028	13,892
Fund Balances - End of year	<u>\$ 19,108</u>	<u>\$ 7,468</u>	<u>\$ 2,217</u>	<u>\$ 611,298</u>	<u>\$ 158,179</u>	<u>\$ 15,059</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds (Continued)
Year Ended December 31, 2006

Special Revenue Funds			Debt Service Funds					
Correction Officers Training	Lutz County Park	Community Development Block Grant OLSHA	1995 Road Commission Refunding Bonds	Mental Health Bonds	2000 Building Improvements Bonds	2001 Bonds - Road Commission Refunding Bonds	2002 Capital Improvement Bonds	Refunding Building Authority Mental Health Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
5,600	-	-	-	-	-	-	-	-
40,829	22,915	-	-	-	-	-	-	-
-	-	-	480,605	104,835	-	50,225	-	-
-	632	2,364	9	208	-	344	-	174
-	5,030	31,995	-	-	-	-	-	95,444
46,429	28,577	34,359	480,614	105,043	-	50,569	-	95,618
33,042	-	-	-	-	-	-	-	-
-	13,375	33,638	-	-	-	-	-	112
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	415,000	85,000	650,000	-	465,000	25,000
-	-	-	77,639	19,835	187,200	75,337	200,700	250,844
33,042	13,375	33,638	492,639	104,835	837,200	75,337	665,700	275,956
13,387	15,202	721	(12,025)	208	(837,200)	(24,768)	(665,700)	(180,338)
12,550	-	-	-	-	837,200	-	665,700	180,400
-	-	-	-	-	-	-	-	-
12,550	-	-	-	-	837,200	-	665,700	180,400
25,937	15,202	721	(12,025)	208	-	(24,768)	-	62
-	1,446	31,923	40,429	2,539	-	28,721	-	8,298
\$ 25,937	\$ 16,648	\$ 32,644	\$ 28,404	\$ 2,747	\$ -	\$ 3,953	\$ -	\$ 8,360

Livingston County, Michigan

	Capital Projects Funds				
	Mobile Command	Jail Expansion	Courthouse Improvement	Administration Building Renovations	Capital Replacement
Revenue					
Taxes	\$ -	\$ 1,599	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	-
State sources	-	-	-	-	-
Charges for services	-	-	-	-	83,678
Contributions from local units	-	-	-	-	-
Interest earned	-	83	-	4,054	95,161
Other	-	-	-	-	-
Total revenue	-	1,682	-	4,054	178,839
Expenditures					
Current:					
Public safety	-	-	-	-	-
Community and economic development	-	-	-	-	-
Health and welfare	-	-	-	-	-
Capital outlay	-	1,783	41,875	78,271	-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	1,783	41,875	78,271	-
Excess of Revenue Over (Under)					
Expenditures	-	(101)	(41,875)	(74,217)	178,839
Other Financing Sources (Uses)					
Operating transfers in	-	-	3,000	-	889,152
Operating transfers out	-	(3,978)	-	-	(228,332)
Total other financing sources (uses)	-	(3,978)	3,000	-	660,820
Net Change in Fund Balances	-	(4,079)	(38,875)	(74,217)	839,659
Fund Balances - Beginning of year	1,984	26,637	38,980	125,892	1,407,789
Fund Balances - End of year	<u>\$ 1,984</u>	<u>\$ 22,558</u>	<u>\$ 105</u>	<u>\$ 51,675</u>	<u>\$ 2,247,448</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds (Continued)
Year Ended December 31, 2006

	<u>Permanent Fund</u>	
West Complex Construction Grant	Cemetery	Total Nonmajor Funds
\$ -	\$ -	\$ 1,599
-	-	1,949,642
-	-	1,566,756
-	-	708,548
-	-	635,665
-	17	218,023
-	-	243,114
-	17	5,323,347
-	-	490,626
-	-	310,002
-	-	4,930,126
38,610	-	160,539
-	-	1,640,000
-	-	811,555
38,610	-	8,342,848
(38,610)	17	(3,019,501)
75,000	-	4,366,172
-	-	(232,310)
75,000	-	4,133,862
36,390	17	1,114,361
-	26,385	4,646,617
<u>\$ 36,390</u>	<u>\$ 26,402</u>	<u>\$ 5,760,978</u>

Livingston County, Michigan

Other Supplemental Information Combining Statement of Net Assets (Deficit) Internal Service Funds December 31, 2006

	Building Services	Information Technology	Carpool	Benefits	Total
Assets					
Cash and investments	\$ 112,844	\$ 288,758	\$ 1,395,147	\$ 1,204,213	\$ 3,000,962
Accounts receivable	12,507	7,910	2,837	-	23,254
Due from other funds	-	60,000	-	-	60,000
Equipment - Net	-	183,064	627,231	-	810,295
Other assets	-	-	-	74,160	74,160
Total assets	125,351	539,732	2,025,215	1,278,373	3,968,671
Liabilities					
Accounts payable	93,361	142,638	33,208	24,534	293,741
Due to other funds	-	-	31,768	-	31,768
Advances to other funds	-	117,898	-	-	117,898
Other current liabilities	79,047	85,267	-	-	164,314
Total liabilities	172,408	345,803	64,976	24,534	607,721
Net Assets (Deficit)					
Investment in capital assets -					
Net of related debt	-	183,064	627,231	-	810,295
Unrestricted	(47,057)	10,865	1,333,008	1,253,839	2,550,655
Total net assets (deficit)	<u>\$ (47,057)</u>	<u>\$ 193,929</u>	<u>\$ 1,960,239</u>	<u>\$ 1,253,839</u>	<u>\$ 3,360,950</u>

Livingston County, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets (Deficit) Internal Service Funds Year Ended December 31, 2006

	Building Services	Information Technology	Carpool	Benefits	Total
Operating Revenue - Charges for services	\$ 2,425,398	\$ 2,384,793	\$ 998,811	\$ 7,148,252	\$ 12,957,254
Operating Expenses					
Personnel	1,246,908	1,287,236	-	6,061,271	8,595,415
Operating expenses	1,174,732	1,591,035	655,061	-	3,420,828
Depreciation expense	2,049	181,157	308,151	-	491,357
Gain on sale of assets	-	-	(54,231)	-	(54,231)
Total operating expenses	<u>2,423,689</u>	<u>3,059,428</u>	<u>908,981</u>	<u>6,061,271</u>	<u>12,453,369</u>
Operating Income (Loss)	1,709	(674,635)	89,830	1,086,981	503,885
Operating Transfers In	58,112	60,000	-	65,000	183,112
Net Income (Loss)	59,821	(614,635)	89,830	1,151,981	686,997
Net Assets (Deficit) - January 1, 2006	<u>(106,878)</u>	<u>808,564</u>	<u>1,870,409</u>	<u>101,858</u>	<u>2,673,953</u>
Net Assets (Deficit) - December 31, 2006	<u><u>\$ (47,057)</u></u>	<u><u>\$ 193,929</u></u>	<u><u>\$ 1,960,239</u></u>	<u><u>\$ 1,253,839</u></u>	<u><u>\$ 3,360,950</u></u>

Livingston County, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended December 31, 2006

	Building Services	Information Technology	Carpool	Benefits	Total
Cash Flows from Operating Activities					
Receipts from other funds	\$ 2,429,613	\$ 2,442,691	\$ 1,042,733	\$ 7,148,252	\$ 13,063,289
Payments to suppliers	(1,307,278)	(1,557,635)	(621,405)	-	(3,486,318)
Payments to employees	(1,200,025)	(1,244,751)	(463)	(6,107,397)	(8,552,636)
Net cash provided by (used in) operating activities	(77,690)	(359,695)	420,865	1,040,855	1,024,335
Cash Flows from Capital and Related Financing Activities					
Activities - Purchase of capital assets	-	(64,699)	(208,551)	-	(273,250)
Cash Flows from Noncapital Financing Activities					
Operating transfer in	58,112	60,000	-	65,000	183,112
Net Increase (Decrease) in Cash and Cash Equivalents	(19,578)	(364,394)	212,314	1,105,855	934,197
Cash and Cash Equivalents - January 1, 2006	132,422	653,152	1,182,833	98,358	2,066,765
Cash and Cash Equivalents - December 31, 2006	\$ 112,844	\$ 288,758	\$ 1,395,147	\$ 1,204,213	\$ 3,000,962
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 1,709	\$ (674,635)	\$ 89,830	\$ 1,086,981	\$ 503,885
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	2,049	181,157	308,151	-	491,357
Changes in asset and liability balances:					
Accounts receivable	-	(7,910)	-	-	(7,910)
Due from other funds	641	(60,000)	-	-	(59,359)
Other assets	3,574	-	12,795	(46,126)	(29,757)
Accounts payable	(132,546)	41,310	(20,575)	-	(111,811)
Accrued liabilities	46,883	42,485	(463)	-	88,905
Advances to other funds	-	117,898	-	-	117,898
Due to other funds	-	-	31,127	-	31,127
Net cash provided by (used in) operating activities	\$ (77,690)	\$ (359,695)	\$ 420,865	\$ 1,040,855	\$ 1,024,335

Livingston County, Michigan

Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds December 31, 2006

	Agency Funds		
	Trust and	Library Penal	
	Agency	Fines	Total
Assets			
Cash	\$ 2,540,474	\$ 362,607	\$ 2,903,081
Other assets	<u>7,490</u>	<u>2,932</u>	<u>10,422</u>
Total assets	<u>\$ 2,547,964</u>	<u>\$ 365,539</u>	<u>\$ 2,913,503</u>
Liabilities			
Due to other governmental units	\$ 936,747	\$ -	\$ 936,747
Other liabilities	<u>1,611,217</u>	<u>365,539</u>	<u>1,976,756</u>
Total liabilities	<u>\$ 2,547,964</u>	<u>\$ 365,539</u>	<u>\$ 2,913,503</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Operating, Nonoperating, and Other Revenue Sources Year Ended December 31, 2006

	January 1, 2006 to September 30, 2006	October 1, 2006 to December 31, 2006	Total
Operating Revenues			
Demand-response	\$ 60,030	\$ 39,939	\$ 99,969
Special transit fares	107,186	33,093	140,279
Rents	72,918	750	73,668
Other	16,066	65,780	81,846
Total operating revenues	<u>\$ 256,200</u>	<u>\$ 139,562</u>	<u>\$ 395,762</u>
Nonoperating Revenues			
Federal Operating Grants:			
Specialized Services Grant	\$ (13,853)	\$ (1)	\$ (13,854)
U.S. DOT Operating Grant - Section 5307	747,133	522,050	1,269,183
Preventative Maintenance - Capital Grant 5307	112,379	(92,318)	20,061
Federal Capital Grant - Capital Assistance 5309	7,991	80,244	88,235
State of Michigan Operating Grants:			
Transit Operating Assistance	431,120	243,086	674,206
Other state grants	(32,392)	32,392	-
Local Contributed Services - Local Revenue	135,708	(91,531)	44,177
Total nonoperating revenue	<u>\$ 1,388,086</u>	<u>\$ 693,923</u>	<u>\$ 2,082,008</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Operating Expenses Year Ended December 31, 2006

	Operations	Maintenance	General Administration	Total
Labor	\$ 787,359	\$ 61,989	\$ 66,301	\$ 915,649
Fringe benefits	314,381	32,632	52,054	399,067
Services	33,254	121,743	408,626	563,623
Materials and supplies consumed:				
Fuel and lubricants	157,922	-	-	157,922
Other materials and supplies	8,817	-	6,735	15,552
Utilities	-	-	45,147	45,147
Casualty and liability costs	192	-	-	192
Miscellaneous	44,274	-	50,323	94,597
Operating leases and rentals	-	-	18,476	18,476
Ineligible costs:				
Depreciation	208,819	-	-	208,819
Other	-	-	65	65
Total operating expenses	<u>\$ 1,555,018</u>	<u>\$ 216,364</u>	<u>\$ 647,727</u>	<u>\$ 2,419,109</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Net Eligible Cost Computations of General Operations Year Ended December 31, 2006

	January 1, 2006 to September 30, 2006	October 1, 2006 to December 31, 2006	Total
Labor	\$ 639,258	\$ 276,391	\$ 915,649
Fringe benefits	306,944	92,123	399,067
Services	446,844	116,779	563,623
Materials and supplies consumed:			
Fuel and lubricants	121,586	36,336	157,922
Other materials and supplies	11,082	4,470	15,552
Utilities	27,790	17,357	45,147
Casualty and liability costs	192	-	192
Depreciation	156,614	52,205	208,819
Miscellaneous	15,597	97,541	113,138
Total operating expenses	1,725,907	693,202	2,419,109
Ineligible operating expenses:			
Revenue associated with rentals	55,281	18,387	73,668
Project Zero	32,489	11,688	44,177
Other ineligible expenses	218,424	(136,578)	81,846
Depreciation	156,614	52,205	208,819
Total ineligible expenses	462,809	(54,299)	408,510
Total eligible expenses	<u>\$ 1,263,099</u>	<u>\$ 747,500</u>	<u>\$ 2,010,599</u>

Livingston County, Michigan

Livingston Essential Transportation System Schedule of Property and Equipment December 31, 2006

		Cost	Accumulated Depreciation	Total
Buildings and building improvements	Intermodel Building	\$ 2,292,283	\$ 297,998	\$ 1,994,285
Vehicles:				
Grant 99-0426	Champion Diesel Bus	78,590	70,731	7,859
Grant 99-0787	Champion Diesel Bus	78,590	61,750	16,840
Grant 00-0485	4 Champion Diesel Buses	238,381	207,502	30,879
Grant Agreement 2002-0060	5 Eldorado National Buses	260,721	111,738	148,983
Grant MI 90-X425-01 Z14	3 Dodge Ram Vans	46,518	15,950	30,568
Grant MI-03-0192 Fed 5309 (2002)	3 Dodge Ram Vans	141,822	31,066	110,756
Grant MI-03-0192 Fed 5309 (2003)	3 Champion Diesel Bus	153,048	30,084	122,964
Grant MI-03-0192 Fed 5309 (2003)	Radio Repeater	6,393	1,279	5,114
Grant 2002-0060-Z7 - RI (State Match)	Radio Repeater	1,598	320	1,279
Grant MI-03-0212 Fed 5309 (2004)	1 Van	15,488	3,098	12,390
Grant 2002-0060-Z11 RI (State Match)	1 Van	3,872	774	3,098
Grant MI-03-0212 Fed 5309 (2004)	1 Eldorado 30' Bus	64,756	12,951	51,805
Grant 2002-0060-Z11 RI (State Match)	1 Eldorado 30' Bus	16,189	3,238	12,951
Total vehicles		1,105,966	550,480	555,486
Office furniture - Purchased with local funds		43,210	29,978	13,232
Total property and equipment		<u>\$ 3,441,459</u>	<u>\$ 878,456</u>	<u>\$ 2,563,003</u>

Livingston County, Michigan

Livingston Essential Transportation System Statistical Data - Public Transportation Mileage Data (Unaudited) December 31, 2006

Demand - Response mileage data (unaudited):

First quarter	31,673
Second quarter	29,190
Third quarter	29,606
Fourth quarter	<u>30,282</u>

Total mileage	<u><u>120,751</u></u>
---------------	-----------------------

Livingston County, Michigan

Statistical Information Financial Trends (Unaudited) December 31, 2006

Financial Position (Status of Assets, Liabilities, and Equity)	2002	2003	2004	2005	2006
General Fund:					
Unreserved fund balance compared to expenditures	32.4%	25.6%	23.2%	27.1%	33.3%
Current ratio (assets/liabilities, excluding deferred revenue)	6.8	5.9	6.8	6.6	9.9
All governmental activities:					
Unreserved fund balance compared to expenditures	38.6%	28.3%	25.9%	31.0%	42.1%
Current ratio (assets/liabilities, excluding deferred revenue)	8.3	6.4	7.4	9.2	15.4
Fiscal Capacity (Measures of Ability to Raise Revenue, Incur Debt, and Meet Obligations)					
General Fund:					
Property taxes per capita (operating millage only)	\$ 119	\$ 123	\$ 129	\$ 140	\$ 150
Millage capacity (ability to levy additional taxes without a vote)	None	None	None	None	None
Expenditures per capita	\$ 198	\$ 197	\$ 211	\$ 208	\$ 214
Ratio of revenues compared to expenditures	1.09	1.09	1.03	1.06	1.08
All governmental activities:					
Total property taxes levied per capita (with extra voted mills)	\$ 135	\$ 138	\$ 145	\$ 149	\$ 161
County taxes paid per household	\$ 264	\$ 275	\$ 278	\$ 283	\$ 299
County taxes paid per household as a percentage of household income	0.390%	0.410%	0.413%	0.397%	0.444%
Taxable value (in 000s)	\$ 6,095,130	\$ 6,592,435	\$ 7,155,612	\$ 7,757,535	\$ 8,348,502
Annual change in taxable value	8.8%	8.2%	8.5%	8.4%	7.6%
State equalized value (SEV)	\$ 7,656,474	\$ 8,538,149	\$ 9,324,352	\$ 10,060,876	\$ 10,641,862
Annual change in SEV	12.3%	11.5%	9.2%	17.8%	24.6%
Debt information:					
County-funded debt per capita	\$ 110	\$ 95	\$ 89	\$ 91	\$ 85
Debt saturation (percent of debt limitation utilized)	3.7%	3.0%	2.4%	2.1%	1.7%

Livingston County, Michigan

**Federal Awards
Supplemental Information
December 31, 2006**

Livingston County, Michigan

Contents

Independent Auditor's Report	I
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2-3
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	4-5
Schedule of Expenditures of Federal Awards	6-9
Note to Schedule of Expenditures of Federal Awards	10
Schedule of Findings and Questioned Costs	11-14



Plante & Moran, PLLC

1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

Independent Auditor's Report

To the Board of Commissioners
Livingston County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Livingston County, Michigan as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the Livingston County Road Commission, whose assets and revenue totaled \$126,089,674 and \$24,607,548, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Livingston County Road Commission, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Livingston County, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

June 26, 2007

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Commissioners
Livingston County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Livingston County, Michigan as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the Livingston County Road Commission, whose assets and revenue totaled \$84,390,282 and \$18,416,553, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Livingston County Road Commission, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Livingston County, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of Livingston County, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Livingston County, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

To the Board of Commissioners
Livingston County, Michigan

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the control deficiency described in the accompanying schedule of findings and questioned costs as item 2006-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Livingston County, Michigan's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board, others within the County, and officials of the State of Michigan and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moreau, PLLC

June 26, 2007



Plante & Moran, PLLC

1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

**Report on Compliance with Requirements Applicable to Each
Major Program and on Internal Control Over Compliance in
Accordance with OMB Circular A-133**

To the Board of Commissioners
Livingston County, Michigan

Compliance

We have audited the compliance of Livingston County, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The major federal programs of Livingston County, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Livingston County, Michigan's management. Our responsibility is to express an opinion on Livingston County, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Livingston County, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Livingston County, Michigan's compliance with those requirements.

In our opinion, Livingston County, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

To the Board of Commissioners
Livingston County, Michigan

Internal Control Over Compliance

The management of Livingston County, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Livingston County, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement for a major program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a major federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement for a major program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance that is material to a type of compliance requirement for a major program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance and its operation that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board, others within the County, and officials of the State of Michigan and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moreau, PLLC

June 26, 2007

Livingston County, Michigan

Schedule of Expenditures of Federal Awards Year Ended December 31, 2006

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Agriculture:		
Passed through the State of Michigan Department of Health - Special Supplemental Food Program for Women, Infants, and Children	10.557	\$ 164,876
Passed through the Michigan Department of Labor and Economic Growth - Food Stamps	10.561	<u>2,458</u>
Total U.S. Department of Agriculture		167,334
U.S. Department of Health and Human Services - Passed through the State of Michigan - Michigan Department of Community Health:		
Bioterrorism	93.283	359,587
Immunization Grants	93.268	65,964
Vaccines Provided	93.268	307,787
Child Support Enforcement - Medical Support	93.563	38,901
Child Support Enforcement - Cooperative Agreement	93.563	871,829
Child Support Enforcement - Cooperative Agreement Incentives	93.563	278,049
Medicaid Outreach Activities	93.778	88,865
CDHCS - SIDS	93.994	20,569
Maternal and Child Health Services	93.994	<u>30,678</u>
Total U.S. Department of Health and Human Services		2,062,229
U.S. Department of Homeland Security:		
Passed through the Michigan State Police:		
Emergency Management Performance Grant (EMPG)	97.042	115,408
Homeland Security Grant Program - Emergency Management Performance Grant	97.067	<u>464,427</u>
Total U.S. Department of Homeland Security		579,835
U.S. Department of Housing and Urban Development:		
Community Development Block Grant Program	14.218	14,355

Livingston County, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended December 31, 2006

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Justice:		
Passed through the Michigan Office of Community Oriented Policing Services:		
Partnership and Community Policing (COPS) Grant	16.710	\$ 236,794
COPS Universal Hiring Program Grant	16.710	<u>46,961</u>
Total Michigan Office of Community Oriented Policing Services		283,755
Passed through the Department of State Police - Office of Highway Safety - Adult Drug Court	16.585	88,817
Passed through the Michigan Office of Internal Audit:		
Juvenile Accountability Block Grant	16.523	<u>5,335</u>
Total U.S. Department of Justice		377,907
U.S. Department of Labor:		
Passed through the Michigan Department of Career Development:		
Wagner-Peyser Trade Adjustment Assistance - 9/30/06 program	17.245	434,288
Wagner-Peyser Trade Adjustment Assistance - 9/30/07 program	17.245	60,926
Wagner-Peyser Act ES 7A - 6/30/06 program	17.207	87,834
Wagner-Peyser Act ES 7A - 6/30/07 program	17.207	110,882
Wagner-Peyser Reemployment Service Initiative - 6/30/06 program	17.207	7,363
Reed Act - Work First	17.unknown	884
Work First (TANF) - 09/30/06 program	93.558	113,263
Work First (TANF) - 09/30/07 program	93.558	46,454
TANF - Support Services	93.558	<u>40,000</u>
Total passed through the Michigan Department of Career Development		901,894

Livingston County, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended December 31, 2006

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Labor (Continued):		
Workforce Investment Act:		
Adult - 6/30/06 program	17.258	* \$ 50,834
Adult - 6/30/07 program	17.258	* 56,720
Youth - 6/30/06 program	17.259	* 103,449
Youth - 6/30/07 program	17.259	* 69,061
Dislocated Worker - 6/30/06 program	17.260	* 132,514
Dislocated Worker - 6/30/07 program	17.260	* 124,047
Statewide Activities - Displaced Homemaker - 6/30/06 program	17.260	* 12,222
Statewide Activities - Displaced Homemaker - 6/30/07 program	17.260	* 7,005
WIA Local Administration - 6/30/06 program	17.260	* 36,556
WIA Local Administration - 6/30/07 program	17.260	* 35,468
Rapid Response - Incumbant Worker	17.260	* 18,590
Statewide Activities - Capacity Building and Technical Assistance	17.260	* 72,000
Statewide Activities - One Stop Operations - 6/30/06 program	17.260	* 32,370
Statewide Activities - One Stop Operations - 6/30/07 program	17.260	* 32,597
Statewide Activities - Performance - 6/30/06 program	17.260	* 4,273
Statewide Activities - Incumbent Worker Training Program	17.260	* 42,504
Work Incentive - Disability Program Navigator	17.266	1,850
Total Workforce Investment Act		832,060
Total U.S. Department of Labor		1,733,954
U.S. Department of Transportation:		
Federal Section 5307 Operating Assistance - 2003	20.507	* 26,157
Federal Section 5307 Operating Assistance - 2006	20.507	* 787,118
Federal Section 5307 Capital Assistance - 2006	20.507	* 116,885
Federal Section 5307 Operating Assistance - 2007	20.507	* 254,909
Federal Section 5307 Capital Assistance - 2007	20.507	* 32,953
Passed through the Michigan Department of Transportation		
Federal Section 5309 Operating Assistance - 2003	20.500	* 7,991
Federal Section 5309 Operating Assistance - 2004	20.500	* 80,244
SDNT grant	20.514	35,342
Total U.S. Department of Transportation		1,341,599
U.S. Environmental Protection Agency - Passed through the Michigan Department of		
Environmental Quality:		
Noncommercial Water Supply Grant	66.471	143,452
Livingston County Drain Commission Grant	66.202	288,700
Total U.S. Environmental Protection Agency		432,152

* Denotes that grant program is part of a cluster

Livingston County, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended December 31, 2006

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Federal Aviation Administration, Department of Transportation - Passed through the Michigan Department of Transportation:		
Runway Construction Grant - Project No. F-26-0047-3504	20.106	\$ 1,614,603
AWOS Relocation Grant - Project No. B-26-0047-3404	20.106	4,787
Land Acquisition Grants - Parcels 43, 44 & 46 - Project No. B-26-0047-3304/3004	20.106	2,856
Hangar Relocation/Construction Grants - Project No. B-26-0047-3204/3104/2704/2203	20.106	1,643,631
Land Acquisition Grant - Parcels 39 & 47 - Project No. D-26-0047-4005 & C-26-0047-3605	20.106	617,864
Taxiway Design Grant - Project No. D-26-0047-3905	20.106	167,919
ILS Site Prep Grant - Project No. C-26-0047-3705	20.106	12,429
Land Acquisition Grants - Parcel 35/E24 - Project No. D-26-0047-4105	20.106	<u>1,041,683</u>
 Total U.S. Federal Aviation Administration		 <u>5,105,772</u>
 Total federal awards		 <u>\$ 11,815,137</u>

Livingston County, Michigan

Note to Schedule of Expenditures of Federal Awards Year Ended December 31, 2006

Note - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Livingston County, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Livingston County, Michigan

Schedule of Findings and Questioned Costs Year Ended December 31, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? ☐ Yes ☒ No
- Significant deficiency identified that is not considered to be a material weakness? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness identified? ☐ Yes ☒ No
- Significant deficiency identified that is not considered to be a material weakness? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
93.283	Bioterrorism Grant
93.268	Vaccines Provided Grant
93.268	Immunization Grant
17.245	Wagner-Peyser Trade Adjustment Assistance

Livingston County, Michigan

Schedule of Findings and Questioned Costs Year Ended December 31, 2006

Section I - Summary of Auditor's Results (Continued)

CFDA Numbers	Name of Federal Program or Cluster
97.067	Homeland Security Grant Program - Emergency Management Performance Grant
17.258	Workforce Investment Act - Adult
17.259	Workforce Investment Act - Youth
17.260	Workforce Investment Act - Dislocated Worker
17.260	Workforce Investment Act - Statewide Activities - Displaced Homemaker
17.260	Workforce Investment Act - Local Administration
17.260	Workforce Investment Act - Rapid Response - Incumbant Worker
17.260	Workforce Investment Act - Statewide Activities - Capacity Building and Technical Assistance
17.260	Workforce Investment Act - Statewide Activities - One Stop Operations
17.260	Workforce Investment Act - Statewide Activities - Performance
17.260	Workforce Investment Act - Statewide Activities - Incumbent Worker Training Program
20.500	Federal Transportation Cluster - Federal Section 5307 Assistance
20.507	Federal Transportation Cluster - Federal Section 5309 Assistance

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

Livingston County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2006

Section II - Financial Statement Audit Findings

Reference Number	Findings
2006-1	<p>Finding Type - Significant deficiency</p> <p>Definition of Significant Deficiency - This is a new communication for calendar year 2006 audits. As defined on page 2 of this report, auditors now communicate any internal control deficiency that represents more than a remote likelihood that a misstatement could occur that is more than inconsequential.</p> <p>This communication is required even when a misstatement ultimately did not result. The new auditing standards require our increased focus on the control systems of the County, so that we may advise you of the potential that a misstatement could occur. This provides the County time to evaluate and address the potential, prior to it becoming a problem. In this situation the specific item which is the focus of discussion was well known by the management and governing teams. The conclusion that a significant deficiency exists, and that the possibility of a misstatement could occur is solely based on the fact that the knowledge did not find its way to the accounting records. The item was brought to the forefront during the review and discussion of the draft financial statements and was therefore caught and resolved prior to the preparation of the final financial statements.</p> <p>Criteria - Management's goal is to adequately communicate significant transactions between the operating functions and the recordkeeping functions, so that recordkeeping can be complete and accurate.</p> <p>Condition - A singular transaction in the Airport Fund that was outside the normal course of business had an impact on the County's financial reporting; this transaction was not included in the preliminary accounting records at the initiation of the audit process. After discussion with management, this transaction is now appropriately recorded in the records.</p>

Livingston County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2006

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
2006-I (Continued)	<p>Cause - This specific transaction in the Airport Fund was outside the normal course of business and, therefore, a systematic approach did not exist to communicate it to the appropriate recordkeeping personnel.</p> <p>The Airport Fund is a small part of the County operations. The construction activity is a nonrecurring project. The specific transaction under discussion was not the result of a cash receipt or disbursement, and as a result, the normal triggering event for recording transactions was absent.</p> <p>The fact that grant revenue was anticipated was well known by the management and governance teams. The lack of a triggering event to have the amount recorded in the County's accounting records caused the omission.</p> <p>Effect - As a result, this transaction was not originally recorded in the accounting records, prior to beginning the audit process. Specifically, assets and revenue related to state grants were not communicated and reported in the accounting records.</p> <p>Views of Responsible Officials - Management has put an internal procedure in place that will provide the accounting recordkeepers the proper notification to record accounting transactions in a complete and timely manner. The updated procedure will allow management to identify situations that are unusual and extraordinary as well as transactions that may be routine in nature. All financial transactions are accurately recorded for the period ended December 31, 2006.</p>

Section III - Federal Program Audit Findings

None